Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel Shk3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta145
Cyprus C£0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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US THRIFTS

Sick - and going for a song

Page 17

World News

No let-up in pressure for democratic rule in Burma

Demonstrators in Burma showed no sign of relaxing their calls for immediate democracy and appeared to reject proposals by President Maung Maung for the ruling Burma Socialist Programme Party to lead the country back to multi-party democracy. Page 16

Polish strikes falter

Polish riot police ended strikes at four coal mines and there were signs of weakening resolve in other labour strongholds, where workers have been holding out for recognition of the banned Solidarity trade union. Page 16

Refugee camp hit

Israeli helicopter gunships rocketed densely populated districts and Palestinian bases in the Ain al-Hilweh refugee camp, south of Beirut, causing fires and heavy damage.

Namibia curfew deal

Military authorities said a seven-year-old curfew in northern Namibia, where guerrillas are fighting for independence from South Africa, would be lifted for a trial period of 30 days. US-sponsored peace talks on south-western Africa continued in Brazzaville. Page 3

Flooding hits Chad

Chad became the latest country to suffer from torrential rains sweeping the normally arid Sahel region. At least eight people died and thousands were made homeless when flooding hit the capital, Ndjaména.

Huge fire in Lisbon

One person was killed as a huge fire gutted the historic Chiado district of central Lisbon, causing the worst damage to the old city since the 1755 earthquake. Page 16

Singapore campaign

Large crowds turned out as campaigning for Singapore's general election on September 3 got into swing. Leaders of the ruling People's Action Party – in power since 1959 – promised the 1.7m electorate "more good years". Page 3

Papandreou in UK

Greek Prime Minister Andreas Papandreou arrived in London for what was described as routine treatment of a heart problem. Page 2

Colombia arrest

A judge ordered the arrest of Pablo Escobar, allegedly one of Colombia's leading cocaine dealers, on a charge of murdering the owner of a Bogota daily newspaper.

Seal plague hits UK

At least 150 seals are known to have died in British waters from the mystery virus that has already killed more than 7,000 seals off the coasts of six north-west European countries.

SPD women's quota

West Germany's Social Democratic Party is set to introduce quotas under which 40 per cent of top party posts and parliamentary seats will eventually be filled by women. Page 2

Norway EC debate

Norway's opposition Conservative Party said it would make membership of the EC a central plank of its general election campaign next year, reopening a debate closed since 1972. Page 2

Business Summary

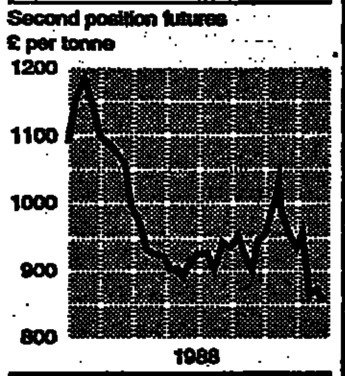
Price war erupts among UK equity traders

A PRICE war erupted between the large UK securities houses, with the spreads between the best buying and selling prices for shares narrowing by 40 per cent in the 100 most actively traded stocks. Page 5

NEWS Corporation reported a 26.8 per cent increase in equity-accounted net earnings for the year to June, helped by a doubling of profits in its Australian home base and hefty gains from foreign exchange dealing. Page 17

COCOA: Prices came under renewed pressure on the London futures market. The December quotation ended the day £20 down at £854 a tonne. Page 32.

Cocoa



NETHERLANDS: Federation of Netherlands Industry, largest Dutch employers association, said corporate defences were in the best interests of companies. The stock exchange's efforts to limit the number and kind of defences should be viewed with scepticism. Page 17

PEACHEY Property Company of the UK stepped up its defence against a £265m ($445.2m) bid from Wereldhave, second largest Netherlands property company with news that estimated net asset backing has risen 7.5 per cent in two months. Page 17

ULTRAMAR, UK oil group, has doubled its North Sea acreage by paying Associated Newspapers Holdings £111.6m ($187m) for Blackfriars Oil & Gas, its oil exploration and production unit. Page 17

ELDERS IXL, Australian group which holds a stake of at least 9.38 per cent in Scottish & Newcastle Breweries, offeredan agreed merger with the Scottish-based drinks company last month but the overture was rejected, S&N said. Page 5

NORANDA, part of Edward and Peter Bronfman's Canadian resource empire, further increased its stake in Falconbridge, world's second-largest nickel producer, to 19.5 per cent of the company. Page 18

ERICSSON, Swedish telecommunications group, posted a 55 per cent jump in profit to SKr638m ($99m) from SKr409m a year ago. Page 19

UNITED SCIENTIFIC Holdings, UK defence equipment group, is willing to raise its bid for Varo, Texas-based manufacturer of police and military night-vision devices, to at least $115m, $26 a share. Page 22

SWITZERLAND'S three leading banks announced they would admit three West German banks to the leading bond syndicate, breaking a 40-year monopoly of Swiss banks on the grouping. Page 20

LEND LEASE, one of Australia's largest property groups, achieved net earnings of A$117.8m (US$96m) for the year to June, Page 20

D-Mark strengthens ● Trading volatile ● Pöhl issues warning

Bundesbank leads interest rate rises across Europe

By our Foreign and Economics Staff

INTEREST RATES were raised by central banks throughout Europe yesterday with the West German Bundesbank in the vanguard to protect the D-Mark.

The rise in interest rates follows the failure in recent weeks of heavy and concerted intervention by central banks in Europe and North America to reverse the dollar's strength.

Higher costs of borrowing were signalled in West Germany, Britain, France, Italy, the Netherlands, Austria and Switzerland.

In West Germany, the Bundesbank raised its discount rate by ½ percentage point to 3.5 per cent – the latest of a series of rises designed to protect the value of the D-Mark and to prevent domestic inflation rising.

In response, the D-Mark strengthened against major currencies. The dollar and sterling appeared to weaken. In London, the D-Mark rose by three pfennigs against the dollar to its highest level for a month.

The West German interest rate move was accompanied by a stern warning by Mr Karl Otto Pöhl, the Bundesbank president, that the West German monetary authorities intended to take action to prevent a further fall in the value of the D-Mark against the US dollar.

"We will use all our powers to prevent a further depreciation of the D-Mark," he said. A further fall in the D-Mark against the dollar would harm both the fight against inflation in Germany and the adjustment of international trade imbalances in general, he said.

Trading was volatile as dealers reacted to announcements in the UK, Europe and North America. At one stage sterling was four pfennigs lower against the D-Mark but recovered to close just a pfennig lower.

In New York, the dollar was quoted sharply lower against the D-Mark at DM1.8600 compared with an earlier high of D-M1.8840, although it had already been under substantial selling pressure because of speculation of higher interest rates abroad, central bank intervention and hints from the US Administration that it was becoming concerned about recent dollar strength.

European monetary official said recent concerted central bank intervention had been "substantial" but its failure had made interest rate rises inevitable. They would not quantify the size of sales.

European central banks appear to have been in consultation early yesterday morning when the Bundesbank would have given advance warning of its move. The Bank of England was included in the discussions but the rise in UK base rates was independent of other increases.

Intervention by the Bank of England, the Bundesbank and other central banks during the day helped temper currency movements.

Mr Pöhl, in spite of warning about the D-Mark's value against dollar, hinted strongly that the Bundesbank would not increase its rate for security repurchase agreements at its next opportunity next week. The rate was last raised to 4.25 per cent earlier this month,

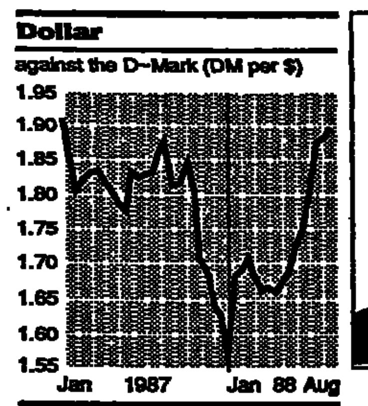
Mr Pöhl warned that the gradual adjustment of international trade imbalances "could come to a standstill, or possibly even be reversed, looking at the latest US trade figures," if the D-Mark were allowed to fall further.

The Bundesbank had been particularly concerned about the increasing gap between German and US interest rates, which it saw as a key factor in the D-Mark's recent depreciation.

The Bank of France responded to the West German move by raising its main money market interest rates by a quarter of a per centage point. Italian, Swiss and Austrian authorities increased rates by half a point.

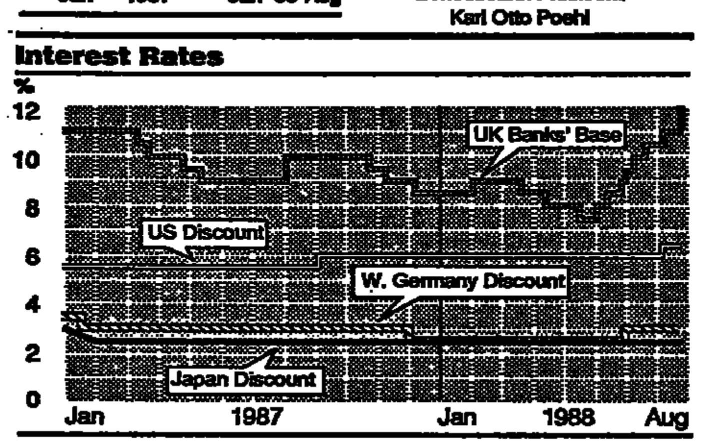
US GNP, Page 4; UK analysis, Page 5; W Germany tries to get message right, Page 2; Editorial comment, Page 14; Lex, Page 16; Currencies, Page 23

Dollar



Bundesbank President Karl Otto Poehl

Interest Rates



UK acts to tackle record deficit

By Simon Holberton, Economics Staff

MR Nigel Lawson, the UK Chancellor, yesterday ordered a one percentage point rise in borrowing costs to 12 per cent after the Government published figures which showed Britain's worst ever monthly trade deficit.

The rise in interest rates, which means that building societies will raise home loan rates to around 12.75 per cent, came after the Department of Trade and Industry said that Britain's current account deficit on the balance of payments was £2.15bn ($3.6bn) in July.

This was twice the level recorded in June and brings the deficit to nearly £8bn for the year. It reflects the extraordinary buoyancy of domestic demand in the economy which the Treasury said would be brought down to more sustainable levels by the rise in borrowing costs.

The trade figures suggest, however, that the UK is running an annual deficit or around £13bn, more than three times the level forecast by the Treasury in the Chancellor of the Exchequer's March Budget.

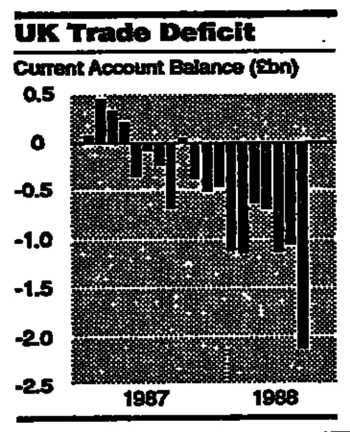
The Treasury said the rise UK rates was taken independently of the rises in Continental interest rates, but done in the full knowledge of their intentions.

UK financial markets were stunned by the size of July's deficit. Analysts had forecast a £1bn shortfall. After initial hesitation, the pound fell steeply on the news.

Continued on Page 16

Analysis, Page 5; Editorial comment, Page 14; Lex, Page 16; UK markets, second section

UK Trade Deficit



BAT wins Farmers Group with bid worth $5.2bn

By Nick Bunker in London

BAT INDUSTRIES, the tobacco-based multinational, has succeeded in the largest takeover bid ever mounted by a UK company outside the oil industry by agreeing to acquire the US insurer Farmers Group for about $5.2bn.

BAT and Farmers signed a merger agreement in the US company's Los Angeles headquarters on Wednesday. It followed a week of negotiations in a luxury Beverly Hills hotel and in the offices of advisers to Farmers, the seventh biggest property/casualty insurer in the US. The deal terminated an arduous six-month legal battle in which Farmers fought to block BAT by exploiting regulatory proceedings in nine states where insurance commissioners had to give prior approval to the acquisition.

Mr Patrick Sheehy, BAT's chairman, said the turning point was a decision by a California judge on August 6 to overturn the state insurance department's veto of the bid.

The $5.2bn cash offer represents $75 per share. BAT launched the bid at $60 on January 12, and raised it to $63 in March before proposing $72 following the August ruling.

Speaking from New York, Mr Sheehy said the last major obstacle this week had been the need to allay anxieties of the governors of the three mutual insurance exchanges managed by Farmers.

Regarding Mr Leo Denlea, chairman of Farmers, Mr Sheehy said: "We had a general understanding over the weekend that we were going to strike a deal."

BAT intends to retain Farmers' existing management, including Mr Denlea. "He is a very sincere and determined man. I don't think he will have any trouble working with us," Mr Sheehy said.

To pacify the exchanges, BAT has agreed, however, to provisions safeguarding policyholders, for example by retaining non-smoker discounts on vehicle and life policies.

BAT still faces regulatory hurdles since insurance commissioners in Idaho, Oregon and Washington have vetoed the takeover and Kansas and Texas have yet to rule.

Mr Denlea said, however, that together BAT and Farmers could give the commissioners assurances necessary to gain approval.

Continued on Page 16

Nato war plans 'sold to East by US serviceman'

By David Goodhart in Bonn

A POTENTIALLY serious breach in Nato's security has been revealed following the arrest of a former US serviceman in West Germany and seven other people elsewhere in Western Europe.

According to the West German Federal Prosecutor's Office, Nato's ground war contingency plans were among the highly classified documents that were sold by the serviceman – Clyde Lee Conrad – to Hungary and possibly other countries, for large sums of money.

Ms Phyllis Oakley, US State Department deputy spokesman, said she understood the West German authorities had made an arrest but did not consider it appropriate to comment. However, it seems that the security breach is being treated most seriously in the US and at Nato headquarters.

The arrest of the 41-year-old ex-serviceman and members of his "ring," followed a long surveillance operation by the US security authorities and the West German Federal Office for the Protection of the Constitution, It is likely, however, that the most damaging material was passed over before Conrad left the US army in September 1985.

For the last five years of his 20-year service he was an administrator of classified material at an army unit at Bad Krueznach, near Mainz in West Germany.

After he left the army he continued to live in the town (he is married to a West German) and recruited other US soldiers to steal documents. The Federal Prosecutors Office said he paid one man a five-figure sum for the supply of documents.

Conrad, who was born in Ohio, appears to have been financially rather than ideologically motivated, although the Prosecutor's Office said he was refusing to speak.

According to the New York Times, Conrad was at the centre of an espionage ring that had been operating for at least 10 years. And Bild, the West German paper, claims to have discovered that Conrad passed on microfilms about missile positions.

If it transpires that the documents involved were a serious security breach it will be a major embarrassment to the US which has often criticised some of its Nato partners – particularly West Germany – for lax security.

UN chief urges Iran and Iraq to build on fragile Gulf truce

By Andrew Gowers in Geneva

MR Javier Perez de Cuellar, the United Nations Secretary-General, appealed yesterday to Iran and Iraq, meeting for the first time in Geneva, to build on the fragile Gulf truce by agreeing to withdraw troops to the international border and to other steps paving the way for lasting peace.

At the opening of direct talks between Mr Ali Akbar Velayati, the Iranian Foreign Minister, and Mr Tariq Aziz, his Iraqi counterpart, Mr Perez de Cuellar launched a bid to dismantle nearly a decade of bitter hostility between the two countries.

"Your presence here indicates that your governments are quite prepared to pursue the path of peace," he told them.

But last night, less than three hours after they began, the direct talks broke up, with the two delegations retiring to separate rooms and the Secretary-General's representatives shuttling between them. This development was not foreseen, but it was not immediately clear whether it indicated serious problems in the negotiations.

At the start of the meeting, Mr Perez de Cuellar urged the ministers, who sat impassively face to face, to proceed with full implementation of the UN Security Council's ceasefire call, Resolution 598, and called on them to make the talks, scheduled to end on Sunday, "businesslike, constructive and productive."

Mr Perez de Cuellar's remarks appeared aimed principally at Mr Aziz who has yet to accept formally the Secretary-General's plan for implementing Resolution 598. This requires the Secretary-General to set dates for the withdrawal of troops to the internationally recognised border, the repatriation of prisoners of war and establishment of an impartial body to consider responsibility for the war.

The immediate priority in yesterday's talks was to consolidate the ceasefire. This took effect last Saturday and has held since, despite several potential confrontations defused by the UN's 350-man monitoring force on both sides of the warfront.

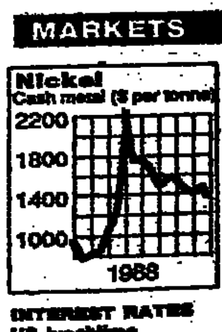
UN officials regard withdrawal of forces behind the frontier as an essential step to avert further potential ceasefire breaches.

But the Iraqis remain suspicious of Iranian intentions and have adopted a tough approach to the negotiations.

Mr Aziz has already made clear that he will not be rushed into agreeing further steps until he has tested the other side's "sincerity." He has also been stressing the need for guarantees of freedom of Iraqi navigation in the Gulf and in the disputed Shatt al-Arab waterway.

MARKETS

Nickel



INTEREST RATES
US lunchtime
Federal Funds 8 7/16% (7 15/16)
3-mth Treasury Bills: yield: 7.47% (7.48)
Long Bond: 95 15/32 (97 ¼)
yield: 9.47% (9.39)
London
3-month Interbank: close 11⅞% (11 13/16)

STERLING
New York lunchtime
$1.6995 (1.6855)
London:
$1.6995 (1.6785)
DM3.1650 (3.175)
FFr10.7550 (10.785)
SFr2.6700 (2.6775)
Y226.50 (225.6)

DOLLAR
New York lunchtime
DM1.88225 (1.8825)
FFr6.325 (6.3955)
SFr1.5705 (1.5855)
Y133.35 (133.85)
London:
DM1.863 (1.892)
FFr6.3275 (6.425)
SFr1.571 (1.595)
Y133.3 (134.3)

GOLD
New York lunchtime:
Comex Dec
$442.3 (444.4)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,000.36 (-26.31)
S&P Comp
258.22 (-2.91)
London:
FT-SE 100
1780.2 (-39.0)
World:
124.04 (Wed)
Tokyo
Nikkei Ave
27,870.44 (+70.77)
Frankfurt
Commerzbank
1,467.1 (+4.8)

OIL
Brent 15-day (Argus)
$14.875 (-0.25) (Sept)
West Tex Crude
$15.425 (-0.25) (Oct)

CONTENTS

Craxi picks his way across a political minefield

Bettino Craxi, Italian Socialist leader, has been laying tripwires in the path of his arch political rival, Prime Minister Ciriaco De Mita, following tributes for De Mita's performance. But the first casualty could be the coalition.
Page 2

EUROPEAN NEWS

W Germany tries to get right message across about economy

By Haig Simonian in Frankfurt

THE Bundesbank president, Mr Karl Otto Pöhl, allowed himself a glimpse of humour at yesterday's news conference to announce a ½ percentage point rise in the West German discount rate to 3½ per cent.

The rushed departure of a posse of correspondents, following his stern warning that the country's monetary authorities would do everything in their power to prevent a further fall in the value of the D-Mark against the dollar, prompted Mr Pöhl to look up and say, in an almost archly sinister voice: "They got the message."

Getting across the message on *exchange rates was precisely the* Bundesbank's intention yesterday considering that the D-Mark has fallen by 16 per cent against the dollar and by about half as much against the pound and yen so far this year.

For the currency's parity lies at the heart of the Bundesbank's present concerns. Other actions, such as its step-by-step increases in a variety of interest rates over recent weeks, have largely taken place in this light. In that respect, the central bank's policy stands out from the string of international interest rate rises prompted by some of its international counterparts in recent weeks. While curbing domestic inflationary tendencies is at the core of most central banks' policies, the Germans stand out for so clearly linking their worries with the present low value of the D-Mark.

West German interest rates have been rising steadily all summer. The Lombard emergency funding rate was increased to 5 per cent from 4.5 per cent at the end of July, while the rates for securities repurchase agreements, which are increasingly being used by the Bundesbank as an important part of its armoury, now stand at 4.25 per cent after having been raised in early August for the fourth time in six weeks.

The inflationary consequences of a weaker exchange rate is the Bundesbank's driving concern. True, West Germany's present rate of retail price inflation remains one of the lowest in the world.

But leading indicators suggest that prices are heading higher, and inflationary expectations concern the Germans as much as inflation itself. Import costs have risen by about 10 per cent at an annual rate *over the past three months, according* to Mr Pöhl.

The value of the currency also impacts on monetary policy. West Germany's M3 money supply growth is still outside the 3-6 per cent target range set earlier this year. That overshoot bothered the Bundesbank less when the value of the currency was rising – and thus helped to keep down inflation – than today. But the "situation changed some time ago", according to Mr Pöhl.

Since the D-Mark started falling, pressure for a tighter money policy has increased. The small decline in M3 money supply growth in July to a seasonally adjusted annual rate of 6.7 per cent over the level at the end of last year, compared with 7.4 per cent in June, has already been taken as an early sign of success.

"Perhaps by the end of the year we could even hope that it will at least be in the vicinity of the rate we set at the start of 1988," said a cautious Mr Pöhl yesterday. But the lid has to be kept very tightly on interest rates in the meantime.

More important, this year's unexpected upturn in the West German economy has given the Bundesbank appreciably more room to tighten the money supply than seemed likely in the first quarter, when many analysts were talking of real GNP growth that would be lucky to exceed 1 per cent.

Instead, the economy is growing by at least double that, allowing a sharp Mr Pöhl to reject claims that West Germany is "the slow man of Europe". He is predicting GNP growth of at least 3 per cent this year.

West Germany's economic growth is "not much below that of comparable industrial nations," if one takes its declining population into account," he said. And real incomes have risen by 8 per cent in the past two years, which is "much more than the US or most European nations".

The emphasis on growth is telling. The authorities have undoubtedly been stung by recent criticism, notably from the US, that they are not doing enough to stoke the domestic economy and reduce the trade surplus.

More important, the Germans sense that they face an image problem at present. Differences in perception have undoubtedly played some part in the current undervaluation of the D-Mark. The economy is growing more strongly than expected and exports are remarkably buoyant, but the impression of the country as "undynamic" and vulnerable prevails.

"The real economic data does not justify the judgment in any way," said Mr Pöhl yesterday. That was true. But, rather like West German equities at present, where good shares are chasing coy buyers, the message has not come across somehow.

Norway's welcome mat wears thinner

By Robert Taylor in Oslo

NORWAY, host to the conference this week of the Organisation of African Unity on refugees and displaced persons in southern Africa, is fast acquiring a reputation as the new moral conscience of Scandinavia on the international stage.

At the same time, however, its Government is busy drawing up stiff regulations to control entry into the country of those seeking political asylum.

As long ago as 1975, Norway introduced a virtual standstill on immigration for economic reasons, and a law passed in June will enable the Government to curb the flow of political refugees from the start of next year.

Only 2.5 per cent of the country's 4m people are foreign-born and less than half come from developing nations. Latest statistics disclose that 3,950 are from Africa, mostly Morocco and Ethiopia. There are just over 5,000 refugees from Vietnam in the country, and 9,000 people from Pakistan. Norway allows in 1,000 people a year under the United Nations refugee quota for individual countries.

Since 1975 it has been impossible to move to Norway for economic reasons without obtaining a work permit, so the actual number of immigrants has become a mere trickle though the country is desperately short of skilled labour and has an unemployment rate of under 2 per cent.

In 1986 some 24,196 arrived from abroad but 16,745 emigrated, and many policy planners are worried that the economy will suffer from a falling labour force by the year 2,000.

However, over the past year hostility towards foreigners from developing countries has grown in Norway. It is more racially homogeneous than most European states, the only minority ethnic group being the Lapps in the north. Many Norwegians seem to be angry and bewildered at what has been happening in the 1980s.

Part of the appeal of the rapidly rising right-wing Progress Party comes from its anti-immigrant attitude, and an extreme group was founded only last week based solely on hostility to foreigners.

Until recently, Norway, despite its welfare state and affluence, was a relatively isolated, forbidding place with a harsh climate for even desperate foreigners to want to come to. However, in the past three years, says Mr Tore Jarl Christensen, state secretary at the Ministry of Justice, the number of asylum seekers has gone up from about 800 to around 8,200 in 1987.

This is mainly because Sweden and Denmark have become more restrictive in their attitude to political refugees, who have turned to Norway as a last resort. Most have been coming from Sri Lanka, Iran and Chile, and seven out of 10 are being allowed to stay.

Under the new regulations the Government will be able to fine airlines who bring foreigners to Norway without visas. Ms Annette Thommessen, general secretary of the Norwegian Organisation for Asylum Seekers, fears this will bring the flow to a virtual standstill.

Mr Christensen, however, points out that refugees, once they arrive, will have stronger legal rights and will benefit from the country's relatively generous approach to looking after those who come from abroad (more than NKr3bn – about £250m – is spent on them every year).

Mrs Thommessen counters: "We will have wonderful reception centres but nobody will be in them."

In its relations with the developing world Norway has a deserved reputation for generosity, spending NKr6.7bn, or 1.1 per cent of its gross national product, annually on assistance, with NKr2.1bn going to Africa.

Mrs Gro Harlem Brundtland, the Prime Minister, may have won a deserved reputation as a major international figure but she is having to watch her own electorate with greater sensitivity over the immigration issue. Having black Africans in Oslo for a week is one thing, but opening the country's doors to the poor of the Third World for permanent settlement is another.

SPD sets a quota system for its women members

By David Goodhart in Bonn

WEST GERMANY'S Social Democratic Party is next week set to become the first established political party in a major industrial democracy to introduce a quota system for women both within the party and among its MPs.

The SPD conference in Munster is almost certain to endorse a proposal requiring that, by 1994, at least 40 per cent of all party functionaries, members of the governing party board and delegates to party conference must be women.

It is more difficult to establish the 40 per cent quota for members of Parliament but that should be achieved by 1998, with the aim of 30 per cent by 1990. Currently just over 10 per cent of the party's MPs are women.

The SPD has, like many other left-of-centre parties in the West, been attracting more women voters in recent years, and although only 26 per cent of its members are women the proportion is rising steadily (35 per cent of new members last year were women).

Last year it elected Mrs Anke Fuchs to the post of general-secretary for the first time, and next week 35 per cent of delegates to the conference will be women, up from only 19 per cent in 1984.

Mr Eddie Heussen, the party spokesman, denied that this trend made a quota system unnecessary, stressing that some of the increased participation by women has been prompted by the long debate over the quota system itself.

Until the early 1980s the official women's organisation within the party opposed quotas as divisive, but when increased female membership did not translate quickly into a higher proportion of women in senior positions it changed its mind. It may also have been influenced by the successful introduction of a quota system in its sister party in Norway.

Mrs Fuchs is a supporter of the proposal – which requires two-thirds support from the conference – but stresses that it should be seen as only a temporary boost to women's participation which should then become self-sustaining. Mr Heussen said: "People expect parties to practice what they preach."

OECD says Danes must tighten belts

By Hilary Barnes in Copenhagen

RESTRICTIONS on consumption and higher domestic savings are prescribed for Denmark by the Organisation for Economic Co-operation and Development in its annual survey of the country's economy, despite the prospect of stagnating output.

The OECD adopts this restrictive stance because of the high level of Denmark's foreign debt, which, at the end of last year stood at DKr272bn (£22bn) or 40 per cent of gross domestic product, and "makes a reduction of the persistent external deficit the foremost concern for policy".

But, in a generally glum report, published today, the organisation does not see a significant improvement in the current account deficit. A weak competitive position, leading to loss of domestic and foreign market shares, means that the deficit will decline only slightly from DKr20bn in 1987 to about DKr17.6bn this year and DKr16bn next, according to the report.

Unemployment, meanwhile, is expected to rise from an average level of 7.9 per cent in 1987 to 8.5 per cent this year and 9.5 per cent in 1989, but the slacker labour market may ease inflation from 4.5 per cent this year to 3.8 in 1989.

A sustainable increase in employment must come from improved competitiveness, says the OECD, and, given the desirability of maintaining a firm fixed exchange rate policy for price-stability reasons, this implies that labour costs must increase more slowly than those abroad. This, the OECD calls "a very ambitious goal".

The report predicts that private consumption, after falling for two years, will rise by about 1 per cent next year, while business investment will fall for the third year running by 3.5 per cent. Domestic demand, which declined by 3.2 per cent in 1987, and may fall by 0.9 per cent this year, is forecast to increase by 0.3 per cent in 1989.

Exports and imports are expected to rise by about 2.5 per cent, with gross domestic product, unchanged in 1988, increasing by 0.6 per cent.

New pages turn in Soviet history

John Lloyd reports on pressures to open up the nation's past

THE PAST holds its silences and pain for all peoples – few more than the Soviet Union.

Here, where glasnost has allowed a remarkable re-examination of (especially) the Stalinist period, from the mid-twenties to the early fifties, and of the Brezhnev years, from the early sixties to the beginning of the eighties, the silences often remain and the pain is still acute.

Roy Medvedev, the formerly dissident historian whom glasnost has largely reconciled to the authorities, yesterday reflected on the past in an extended article in Komsomolskaya Pravda.

Asked what he thought should be the guiding philosophy behind the long-awaited new school textbook on Soviet history, he called for a pluralistic approach. After all, he said, in the US as many as 15 different textbooks might be used by schools – why should the Soviet Union be different? Above all, "there should be no pages torn out".

Such an approach, if followed, would cause pain – at official level, of course, but also at a personal one. A limited sojourn along that path already has. The Stalin period, the subject of articles, books and television documentaries, stirs up contrary emotions of guilt, anger and indignation.

Many, especially older men and women, find it hard to relinquish the vision of Stalin as a great leader. A wider, more publicly accepted circle stress that while there were errors, even terrors, there were also huge achievements.

The Brezhnev years – the "period of stagnation" – are less lethal but closer. The circles of power, including Mr Mikhail Gorbachev, rose to power then. And most non-dissidents in public life had some complicity in it.

Prefacing Dr Medvedev's interview was a rather poignant letter from a 47-year-old teacher, Mrs Y. Lyaskalo, who talked of "conducting political lessons using the press".

"I believed what was written and I taught that to the children . . . (but) they lied to us and we lied to them."

The present limits for these periods, though, have in past weeks been thrown into sharp relief. The publication in an Estonian paper earlier this month of the secret protocol of the 1939 Nazi-Soviet pact which ultimately resulted in the incorporation in the Soviet Union of Estonia, Latvia and Lithuania has met a stonewall in Moscow. These documents, said the authorities, have never been found in the state archives – many of which are still kept secret.

Yet publication helped generate massive rallies in the three states' capitals earlier this week, where demands for complete independence were voiced and at which the historian Yuri Afanasyev, who does not favour complete independence, authenticated the protocols and told a mass rally in Tallinn, the Estonian capital, that "we are speaking of historical injustices, and we have no right to be silent about it".

Yet while a certain embarrassment is detected on the part of the authorities in this matter, the 1968 Soviet intervention in Czecholsovakia continues to be aggressively defended as a necessity, to stop the country lurching towards the capitalist camp.

The Democratic Union Group, which held an illegal, anti-intervention rally last Sunday in Moscow's Pushkin Square, had its ringleaders arrested. Among other crimes, said the authorities, the distribution of a *leaflet* proclaiming that "a nation which suppresses other nations can never be free" distorted Soviet policies in the past.

The history of Soviet relations with the East European states is likely to continue to hold silences for some time, on grounds of *realpolitik* at least.

The 1956 intervention in Hungary, the Polish Katyn massacres, the Prague Spring all hold too many explosive charges, not so much for the Soviet leadership as for the ruling parties of these countries. If official revisions come, they are likely to come there first.

In his interview, Dr Medvedev proposed an approach to history which smacked of John Stuart Mill's essay on liberty: let opinions compete, for only thereby will the truth come out.

He noted that Rybakov's anti-Stalinist novel, Children of the Arbat, published last year, should co-exist with the views of Mr Yuri Bondarev, deputy chairman of the Russian Republic's Writers' Union. At the 19th party congress Mr Bondarev launched an emotional and coloured tirade against the new radical writers and historians for "betraying our young people, devastating their souls with the scalpel of anarchic chatter, vacuous sensationalism, all kinds of alien fashion and cheap demagogic flirtations".

"Pardon me for the cliche," said Dr Medvedev, "but history must be honest and true." For all the obvious pain, his ideal might now find its way into the classrooms.

Soviets set up first co-op bank

THE Soviet co-operative movement, with some 20,000 enterprises countrywide, has now produced its first bank, writes **John Lloyd in Moscow**.

It has been established in Chimkent, Kazakhstan, with authorised capital of 1m roubles ($1.6m) and the right to draw on a further 20m roubles in deposits from enterprises and the public.

The newspaper Izvestia, reporting the move, says that the bank will set its own interest rates and that its credit system has been simplified.

Co-op banks are also expected to open soon in Moscow and Leningrad, and applicatiions have been received from other cities.

ETA admission

THE Basque separatist group ETA claimed responsiblity for killing two civil guards and said that it would continue attacks unless the Government agreed to talks on its political demands. The two civil guards were killed on Sunday in a car bomb attack in the northern town of Estella.

Kabul deaths

One Kabul resident was killed and six were wounded on Thursday when Moslem rebels fired nine shells at the Afghan capital, the Soviet news agency Tass said. Tass, quoting the Afghan news agency Bakhtar, also said four people died and 15 were wounded when a bus travelling to Kabul from Laghman province hit a mine. It said rebels planted the mine.

Black Sea

Turkey said that 184 metal containers washed ashore in three Black Sea coastal provinces three weeks ago contained a poison, cancer-causing compound. It listed half a dozen chemicals and said these materials, banned from production throughout the world, had harmful effects on human skin, nerves, the respiratory system, kidneys and liver.

Czech for Bonn

Mr Bohuslav Chnoupek, Czechoslovakia's Foreign Minister, will visit Bonn from August 28-30 at the invitation of Mr Hans-Dietrich Genscher, his West German counterpart.

Swimming to Siberia

Ms Lynne Cox, a US long-distance swimmer, will try to cross Siberia's Lake Baikal today, two days earlier than planned, because of storm warnings, the Soviet news agency Tass said. Ms Cox, 31, has chosen a 16km route across the icy waters of the world's deepest lake.

EC entry to be poll issue in Norway

By Karen Fossli in Stavanger

NORWAY'S opposition Conservative Party said yesterday it would make membership of the European Community a central plank of its platform in the general election next year.

The country's closed-door debate about EC membership has intensified largely because of steps by the minority Labour Government to inch Norway closer to the community.

Mrs Gro Harlem Brundtland, the Prime Minister, has ruled out a new referendum on membership, however, despite her announced intention to "co-operate actively with the EC to the extent to which this is at all practicable".

Norway is scarred by the memories of the 1972 referendum which rejected entry to the EC by 52 per cent to 48 per cent. Yesterday's move by the Conservatives is viewed as the strongest attempt since then to bring the question out into the open.

The majority of Norway's leading industrialists believe that membership of the community is crucial to ensure the future development of Norway's trade with EC countries by the time the internal market is established in 1992. Many advocate early EC membership.

More than 70 per cent of the country's exports now go to EC countries and that figure is forecast to rise further. As a safeguard many Norwegian companies have taken steps to secure ties with EC-based companies.

Belgrade boosts security measures in Kosovo

By Judy Dempsey in Vienna

SECURITY IS being stepped up in the Kosovo province of Yugoslavia in an attempt to contain rising ethnic tensions, according to Tanjug, the Yugoslav news agency.

Quoting the police in Kosovo, one of the country's poorest regions, it said security in certain areas was worsening, adding that Serbs and Montengrins were continuing to move out of the province because of pressure from the local population.

Kosovo, which is constitutionally linked to the republic of Serbia, was the scene of bitter and bloody nationalist riots in 1981. Ethnic Albanians, who make up 85 per cent of the population, demanded that the province be granted republic status. Under the constitution, this would give it the right to secede from the Yugoslav federation.

Despite the harsh measures meted out against Albanian "nationalists", the province has remained tense. However, in recent months, these tensions have taken on a new dimension largely in response to plans to amend the constitution and to political developments in Serbia.

Mr Slobodan Milosevic, Serbia's Communist Party leader, is proposing that certain powers and rights invested in Kosovo and Vojvodina, the other autonomous province *which is also constitutionally* linked to Serbia, be transferred directly to Serbia. Such a transfer of rights, which include security, the judiciary and foreign policy, would strengthen Serbia.

In the view of liberal Yugoslav politicians, these amendments could upset the delicate balance between Serbia and the rest of the five republics engineered by the late President Tito in an effort to contain Serbian dominance throughout the federation.

In addition, Mr Milosevic is advocating a much tougher policy towards Kosovo aimed at "stamping out" nationalism. Such a policy was sharply criticised last year by the Belgrade media on the grounds that it would do little to heal the wounds between the ethnic Albanian population and Serbs, many of whom regard Kosovo as the cradle of Serbian culture.

Hungarian strikers win their point

By Judy Dempsey

A STRIKE by several hundred Hungarian miners ended yesterday morning after the authorities agreed to review the bonus and wage system.

More than 300 miners at the Komlo and Mecsek collieries near south-west Hungary, who refused to turn up for the early morning shift on Wednesday, had protested about the effects a new personal income tax system was having on wages as well sick leave payments.

The tax system, the first of its kind in Eastern Europe, was introduced by the Hungarian authorities in January. The strikers claimed that under it miners on sick leave were actually receiving more than those working. They also demanded the re-introduction of a special bonus scheme known as the "loyalty bonus." Budapest Radio said the mines' management would borrow money to finance this scheme.

Craxi treads an Italian political minefield of his own laying

The Socialist leader is nervous of the Christian Democrats stealing his thunder, writes John Wyles from Rome

POPULAR TASTES in holiday amusement are widely varied and, characteristically, Mr Bettino Craxi, the Italian Socialist Party leader, has been keeping himself in trim playing political games from the comfortable, bleached surroundings of his villa in the Tunisian resort of Hammamet.

While others bathe, soak up the sun and play ball on the beach, Mr Craxi has been laying tripwires in the path of his arch rival and current Prime Minister, Mr Ciriaco De Mita.

As a spectacle, the start of the new soccer season has been marginally more entertaining, but the possible impact of Mr Craxi's exertions is somewhat more important for the nation's fortunes.

Quite suddenly, the Socialist leader seems bent on testing Mr De Mita and creating some uncertainty about his prospects, despite the fact that, if Mr Craxi succeeds, the first casualty could be the coalition Government's programme for restoring the country's grievously sick public finances. This is loaded with controversial measures which a divided Christian Democrat party, in particular, will not be railroaded into passing by a faltering Premier.

A fortnight ago, the De Mita coalition appeared in rude health and the Prime Minister's four months in office were being praised for their sense of direction, determination and general coherence. At a meeting of the five coalition party leaders, Mr Craxi and others reaffirmed their backing for the Government's ambitious financial and political reform programme. Mr De Mita repaired to his native mountain-top village of Nusco, near Naples, in a state of evident satisfaction and tranquillity.

But on that same day his staff had winced at a column written from his Sardinian holiday home by Mr Eugenio Scalferi, Italy's most influential journalist, which lavishly praised Mr De Mita's first 120 days, comparing them with the best of Alcide De Gasperi, the founder of the Christian Democrat Party and Italy's greatest post-war leader.

"This will not help," said a De Mita aide glumly, and sure enough, two days later, the Socialist Party's newspaper, Avanti, carried a somewhat contrasting view from its most celebrated columnist, Ghino Di Tacco, alias Bettino Craxi. The Government's performance had been "slow and careful, perhaps too slow and too careful," wrote the pseudonymous Socialist, who added that serious problems were accumulating which had to be dealt with.

Within days, his deputy, Claudio Martelli, was echoing these thoughts and, what is more astonishing, Gianni De Michelis, the Socialist Deputy Prime Minister, was casting doubts upon Mr De Mita's fitness for his job.

It is not unreasonable to believe that Mr Craxi may have felt a slight pang of jealous pique about Mr De Mita's reviews. He would certainly feel that Mr Scalferi's judgment that the Government was performing with a coherence "that we have not been used to seeing for a long time in national politics" took too scant notice of his own three-and-a-half-year premiership from August 1983.

But more important than personal pride, there are powerful political reasons for Mr Craxi's desire to prevent Mr De Mita from being too successful a Premier. One is that he has tools at his disposal which Mr Craxi lacked, following parliament's recent approval, after seven years, of a law reforming the office of Prime Minister. In future, an Italian head of Government with the right qualities of decisiveness and a strategic view will be much less of a political Cinderella.

If Mr De Mita exploits his new powers to assert his authority over ministers, to intervene to set government policy and to take delegated decisions which have hitherto required legislation, then he could earn rich political dividends for his party and even greater authority within it.

He may, indeed, succeed in prolonging his anomalous (in the Christian Democrat party) position of being simultaneously party leader and Premier when the issue is decided at the party's congress next January.

But a De Mita who is leading a strong government and in full control of his party could be in a position to frustrate Mr Craxi's strategy for overtaking the Communist Party and assuming the leadership of a left alternative to Christian Democracy.

Hence the choice of the issue with which Mr Craxi has been berating Mr De Mita in a succession of Ghino Di Tacco columns lobbed across the Mediterranean from Hammamet.

Mr Craxi's complaint is that since May's provincial elections, in which his party did so conspicuously well, the Christian Democrats have been pursuing a deliberate strategy of forming local administrations with the Communist Party to the exclusion of the Socialists. The number of such *giunte anomale* has reached more than 250 and the moment had arrived, he wrote threateningly on Wednesday, "to organise the most energetic reaction".

Mr De Mita and his colleagues are trying to treat the Craxi thundering as a "summer storm" but the darkest side is its very specific aim against the current administration in Palermo whose Christian Democrat Mafia-fighting mayor, Leoluca Orlando, is being kept in office with Communist support.

Ghino Di Tacco refers to Palermo as a "political laboratory" which is producing the germs for Christian Democrat-Communist collaboration across the country. Claudio Martelli has even called into question Mr Orlando's courageous and determined anti-Mafia reforms.

There are, of course, many examples of Socialist collaboration with the Communists, notably in Milan where the Christian Democrats are in opposition. Mr Craxi has not yet explained why these are acceptable and DC-PCI coalitions are not.

The reason, however, is not hard to divine. When the Socialists are in office, they can compete with the Communists for funds and patronage and hope to build up their vote at Communist expense. When they are in opposition and the Communists are in office, the latter may have too many winning cards.

So Mr Craxi is threatening unspecified retribution against *what he would* regard as a Christian Democrat attempt to shelter the Communist Party from its steady decline. In so doing, he is underlining yet again the inherent instability resulting from the strengths and weaknesses of his position.

On the one hand he is condemned to co-operate with Mr De Mita so as to guarantee a non-communist government in Italy. On the other, he has found a political strategy, which has begun to pay handsome dividends, which requires him to maintain a disruptively competitive distance from both the Christian Democrats and the Communists.

This is a highly delicate balancing act which is disciplined only by the knowledge that if the De Mita Government fails to implement urgently needed budgetary and administrative reforms, there will have to be early elections and the country will be in a real economic crisis by 1990.

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Howard hits at Labor refusal to cut taxes

By Chris Sherwell in Sydney

THE Australian Labor Government's refusal to cut personal income taxes has come under withering attack from Mr John Howard, leader of the opposition Liberal and National Party coalition.

In a televised formal parliamentary reply to the federal budget presented on Tuesday, he said Mr Paul Keating's record A$5.5bn (£2.67bn) surplus was the result of high taxation, not reduced spending, and meant Mr Keating had "truly retained his crown as the highest taxing Treasurer in our peace-time history".

There was no way Mr Keating's promised tax cuts at the start of the next financial year could possibly make up for the slump in living standards over the past five years, he said.

The average income earner would need A$56 a week just to restore real income to its level when Labor came to power in March 1983, Mr Howard said. Average earnings are around A$455 a week.

Accusing the Government of adopting opposition policies "time and time again", he predicted that Labor would again follow the coalition's approach by introducing a lower, two-rate tax scale for personal incomes.

The success of the budget was "almost utterly dependent on strong world growth and a maintenance of the recent recovery in Australia's commodity prices". That was "its great and looming weakness".

In a separate but related development, the Reserve Bank, Australia's central bank, voiced its disappointment that the economy's recent strong growth owed so much to domestic demand rather than net exports.

In its annual report for the year to June, it said current high commodity prices could not be assumed to continue for long, and should be seen as a windfall providing an opportunity to reduce markedly the current account deficit.

"It would be tragic if they were absorbed in an overly rapid increase in domestic demand, with the pressures that would unleash, or if we were deflected from the long-term task of adjusting the structure of the economy," the bank said.

The report was written before the budget, which confirmed that net exports made no contribution to the 3.6 per cent economic growth seen in 1987-88 and would fail to do so again in the current 1988-89 year, when the economy is projected to grow 3.5 per cent.

The budget also reported that the current account deficit for 1987-88 had been revised to A$11.9bn from A$11.5bn, still well below the previous year's AS$13.2bn but worse than hoped for.

Although this is projected to fall to A$9.5bn in 1988-89, the bank said yesterday that, despite the current account improvement in 1987-88, "there were some signs that the pace of underlying adjustment was not proceeding as in the previous two years".

Cuban pull-out timetable dominates Angola talks

By Michael Holman

EFFORTS to bridge the gap between Angola and South Africa over a timetable for withdrawal of Cuban troops from Angola dominated the second day of the south-western Africa peace talks in Brazzaville.

Dr Chester Crocker, US Assistant Secretary of State for African Affairs, who is chairing the talks, was reported to have proposed an 18-month pull-out for the 45,000-50,000 Cuban force. Angola has offered a two-year programme, South Africa has said the Cubans should leave Angola by the date of Namibia's independence, tentatively set for June 1 1989.

Further scope for compromise lies in the location and size of the Cuban contingent during the phased withdrawal. Angola and Cuba have said the first phase would see the Cuban forces moving north to the 13th parallel, which about divides Angola in half.

Subsequent phases would see the Cubans steadily reducing their numbers in northern Angola.

South Africa would be more ready to accept a compromise which involves not only a shorter withdrawal period, but places a limit on the number of Cuban troops operating in specified areas.

Any compromise has to meet two concerns.

President P.W. Botha must sell the regional peace package — which provides for Namibia's independence — to his white electorate. To do this, he needs to be able to claim the Cuban "threat" in south-western Africa has been overcome.

President Eduardo dos Santos must be satisfied the Angolan Government can contain the challenge posed by the Unita rebel movement when his Cuban allies have left.

Singapore bars two newsmen for polls

By Roger Matthews in Singapore

SINGAPORE has barred two foreign correspondents from covering the general election on September 3 in what appears to be a further toughening of its policy towards regional publications.

Mr Rodney Tasker, the chief correspondent of the Far Eastern Economic Review, was refused entry when he flew in from Bangkok. He said in Kuala Lumpur yesterday that he had been visiting and writing about Singapore for the past 10 years without any difficulty with the Government.

The authorities refused to explain why he had been refused entry.

Mr Raphael Pura, the South East Asia correspondent of the Asian Wall Street Journal, who is based in Kuala Lumpur, was allowed into Singapore on Wednesday but immigration officers then told him he had to leave by midnight yesterday. No explanation was offered.

Pakistan leader set to name new government

PRESIDENT Ghulam Ishaq Khan was last night expected to appoint a new caretaker government to supervise elections due in November, David Housego reports.

The proposed move is bound to lead to accusations that the new President is distancing himself from the policies of the late President Zia ul-Haq. On the other hand, it will respond to the criticisms of those politicians who have said that the existing administration put in place by President Zia would not be able to ensure fair elections.

President Ghulam Ishaq is said to be in favour of a technocratic administration as being the most neutral. He is under pressure from Zia loyalists to appoint as prime minister an opponent of Benazir Bhutto, head of the Pakistan People's Party.

Jordanian dinar falls by 10%

A FALL in the value of the Jordanian dinar, the main means of exchange in the Israeli-occupied West Bank, has sent shock waves through Palestinian business, Andrew Whitley reports.

In 48 hours, the dinar declined by 10 per cent against the Israeli shekel on the "parallel money market" used by most Palestinians in preference to the Israeli-regulated banking system.

The fall, caused by anxiety over King Hussein's decision to cut ties with his former territory, reduced the exchange rate to 4.2 shekels.

Burma — a revolution without leadership

Discordant elements have progressed to control of cities, Richard Gourlay writes

THE revolution that appears to be elbowing a military dictatorship out of Burma has no parallel for one simple reason. In South Korea, in the Philippines and Iran, autocratic regimes were replaced by well-organised oppositions led by identifiable leaders. In Burma none exists.

The country's strongman for 26 years, U Ne Win, so rigidly implemented one-party rule with the support of an international secret police, that all opposition was squashed. Leaders could not emerge for long.

As a result "the opposition now is from disconnected groups, discordant groups with no similar aims", a Rangoon diplomat said yesterday.

Street protesters have rapidly progressed since March from powerless subjects, to angry mobs, to their current position in control of major cities including Rangoon.

They have broken the ruling party's resolve to carry on, following the offer by the new party leader, U Maung Maung, to hold a referendum over multi-party democracy, diplomats say.

If their relentless pressure takes them the next step to power, their victory will be essentially "Made In Burma". But they will also have to thank some unconventional pressure, courtesy of Rangoon diplomats and the BBC through its Burmese language broadcasts.

In the past, some Burmese translators at the BBC were criticised for "softening" news broadcasts on its Burmese language service. After riots began in March in which hundreds were probably killed, this criticism faded.

Now nightwatchmen beat gongs at broadcast time to summon the faithful to their radios nationwide. Last week, the Burma Socialist Programme Party attacked the "people with bulging foreheads, reddish skins and hooked noses" at the BBC, and demanded the British government "tame its creature".

"The BBC has been a player in all this (protest) in a quite extraordinary way," one diplomat said. But with Burma in effect closed, BBC reporters, like all journalists, have been heavily dependent on diplomats.

Ne Win: opponents quashed

Because they chose to keep that channel of communication open, under pressure from Burmese officials who knew their thoughts were being recycled via the BBC, they have exercised a peculiar but powerful form of diplomatic pressure on the regime in Rangoon.

Formal diplomatic protest, on the other hand, has been muted since the army started shooting unarmed demonstrators. It was two weeks before Australia, the US, Britain and, the European Community made public statements deploring the violence and calling for peaceful solutions to the country's economic and political problems.

The US Senate also passed a resolution condemning the violence. But none made representations directly to the Government in Rangoon.

West Germany, which through the state-owned arms manufacturer Fritz Werner, has one of the only foreign joint ventures with Burma, made no independent comment, choosing instead the collective anonymity of the EC statement.

Japan, which has the least poor relations with Burma because it supplies most aid, has gone the other way, welcoming the appointment last week of the "moderate" U Maung Maung as party chairman and President.

U Maung Maung has had a long association with the party and U Ne Win. Little official condemnation may have proved the best approach, some observers say. More ostentatious displays of international disapproval, such as the withdrawal of ambassadors, would have proved counterproductive and little more than public hand-wringing, some diplomats say.

Because of its isolation under U Ne Win's Burma Socialist Programme Party, there is no lifeline that can be squeezed from outside, except, possibly, for Japanese aid.

Japanese officials appear to be telling Rangoon that economic reforms have a higher priority than changes in the one-party system.

"What do you want us to do, send in the Marines?" was one retort to criticism of official silence, while another diplomat said Neville Chamberlain's description of Czechoslovakia at the time Nazi Germany invaded in 1939 was typical of some attitudes towards the isolated Asian country: "It is a small country, far away, of which we know little."

Some Burmese exiles suspect that 26 years of suppression could lead to a dangerous backlash, the thought of which might make a scared army dig in.

S Koreans fear for durability of their democracy

By Maggie Ford in Seoul

AS THE Olympic flame makes its way to Seoul from Greece this week, the biggest worry on most people's minds is not about holding the Games successfully, but what will happen afterwards.

Their concern is about the durability of the democracy they fought for last year. As right-wing voices start to be heard more loudly, fears are growing that the military may intervene again to restore its authority.

The South Korean right wing is becoming increasingly uneasy about the activities of the National Assembly, which has an opposition majority for the first time. Led by politicians who are moving closer to disclosing the facts about alleged corruption and violence perpetrated by the previous regime, the assembly has proved its mettle in the past six months.

Backed by a wide public consensus, it has forced the Government to appoint an unbiased chief justice and start to reform the legal system, revealed instances of allegedly corrupt deals, exposed questionable favours to big business, and started its inquiry into the 1980 killings in the provincial city of Kwangju.

The closer the assembly gets to pinpointing one of its main targets, former President Chun Doo Hwan and his family, the more it seems that the present Government of Roh Tae Woo, his hand-picked but subsequently-elected successor, is prepared to go along with the idea.

The Government has arrested and tried Mr Chun's brother for corrupt dealings and has arrested or sacked both the Mayor of Seoul and the head of the Education Board, both Chun associates, for their alleged influence peddling. Fourteen other members of the family have been banned from leaving the country.

Observers believe it is only a matter of time before the ex-president and his wife are themselves forced to reveal the facts, make restitution and apologise.

Senior right-wingers have been startled by the egalitarian atmosphere that has quickly overtaken South Korea since last year and shocked by the rise in public support for reunification with the North.

Forty years of what they describe as "liberal democracy" has been replaced almost overnight by an egalitarian style and a search for freedom that they see as the forces of chaos and leftism.

Not all in the Government agree with this perception. President Roh is still noted for the infrequency of his speeches. But others, including his brother-in-law, have indicated that his commitment to democracy may be stronger than the public believes.

Dr Suh Sang Mok, the ruling party's chief economic spokesman in the National Assembly, confessed yesterday, however, that there could be some nervous moments ahead.

"But the maturity of the Korean people has reached the level where interventions won't work," he said. "People simply won't accept a takeover by the extreme right."

Many observers in the business community, where the matter is causing deep concern, agree that the country is now too complex and the consensus in favour of democracy too broad, for military rule to succeed. Support for change is especially strong in the younger generation.

The country has already paid part of the "price of democracy", registering a slowdown in growth from 14 per cent in the first half of last year to 11.8 this year, due mainly to wage rises, and strikes, allowed for the first time.

A further democratic battle will be fought in October in the parliament over financial reform and the independence of the central bank, key demands of the business community.

Numerous other advances are being made in the media, the law, the education system and the business world, leading to a diminishing of control by the former elite groups.

The Seoul Government has always believed that the Olympics would be the country's opportunity to show itself off to the world. But it is what happens after the Games that will indicate whether South Korea is entitled to the international respect it so clearly craves.

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DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

August 1988: Vol. 17, No. 8

Japanese economy shows signs of firm expansion

The Japanese January to March real GNP expanded at an annual rate of 11.3 percentage points, the highest rate since the same quarter of 1977. This rapid growth is partly attributed to the extra business day in February caused by leap year, but mainly because personal consumption, facility investment, and public investment all showed vigorous expansion concurrently.

However, the production index for mining and manufacturing industries showed an average decline of 0.5% in April to May from the January to March period (Fig. 1), allowing the presumption that the economic expansion slowed somewhat after April. The deceleration in production was particularly affected by depressed construction goods manufacturing as a result of a pause in construction of housing and public works projects. The rate of growth of new housing starts dropped sharply to 2.0% in April and 4.2% in May after having achieved double-digit growth from July 1986 to March this year on a year-to-year basis. Public works projects declined dramatically to 5.4% in April to May from a 14.8% expansion in January to March.

Economic expansion continues to firm up

Nevertheless, the current slowdown in production is not expected to continue. The reasons are as follows. First, facility investment in the manufacturing sector is still displaying strength and appears to be propping up the economy. The Bank of Japan's "Short-term Economic Survey" in May showed a significant improvement in the plans for facility investment in the manufacturing sector. According to the survey, major companies plan an increase of 18.6% in capital investment over the previous year, compared to the projected increase of 7.0% in the survey conducted in February. The investment environment seems to be the most favorable within the last ten years from the perspectives of (1) corporate profits, (2) demand and supply of finished goods, (3) inventory levels, and (4) cash positions.

Second, personal consumption appears to be taking a leading role in the economy, benefitting from a favorable environment. Reflecting an upswing in basic wage increases and favorable corporate operations, nominal wages increased from an average of 2.0% last year to 3.5% in April to May on a year-to-year basis. In addition, summer bonuses gained 5.5% (according to a study made by Japan Federation of Employers' Associations), a significant recovery from last year's 1.4% drop. Commodity prices have remained stable while stock prices have recovered to a level higher than their peak before the market collapse last year, and are expected to somewhat stimulate consumption. Moreover, the reduction of resident taxes planned for June and an anticipated cut in income taxes at the end of this year will further strengthen consumption trends.

Third, the current slackening in housing and public investments mentioned above is unlikely to continue. For example, since the amount of public expenditures planned for fiscal 1988 is nearly the same as in fiscal 1987, investments should not drop further although it may be forced to level off in comparison with the previous year.

In light of these factors, the standstill in production after April would appear to be temporary, and the economy should continue to perform favorably.

Commodity prices remain stable so far —

Although the general economic picture appears to be bright, pricing concerns exist about primary commodities whose prices are currently surging in the overseas market. So far, the hikes in primary commodity prices have been set off by a decline in oil prices and an appreciation of the yen (Fig. 2). As a result, import prices on a yen basis have been sliding somewhat.

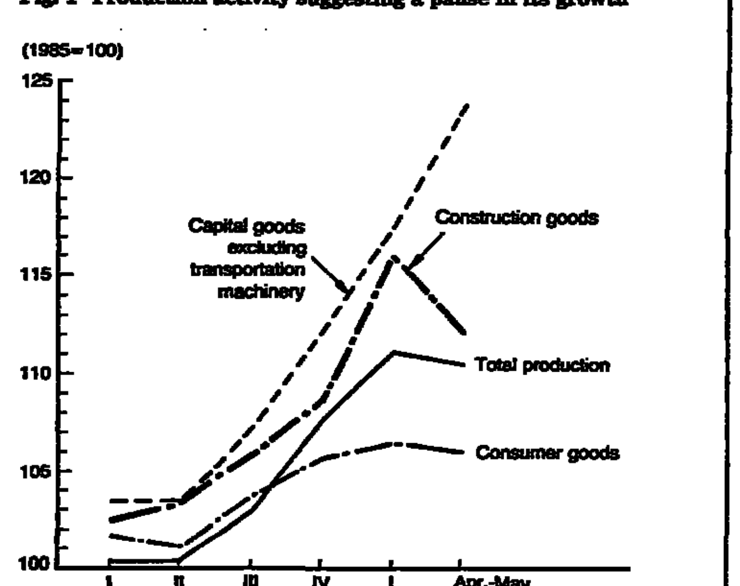
Under these circumstances, a key factor affecting gains in commodity prices will be the yen's foreign exchange rates. DKB's macro economic models suggest that wholesale prices will rise about 3.0% for every 10% drop in the yen's exchange rate. Now that the Japanese economy has been severely upset by the drop of the yen, Japan, as well as Germany, must closely observe movements of the foreign exchange market.

Firm international policy coordination will be indispensable

The yen began to fall rapidly after the Toronto Summit. In response to the yen's depreciation, the monetary authorities have been adopting a more cautious attitude towards a decline of the yen though they have been refraining from intervening in the foreign exchange market, allowing short-term interest rates to leap.

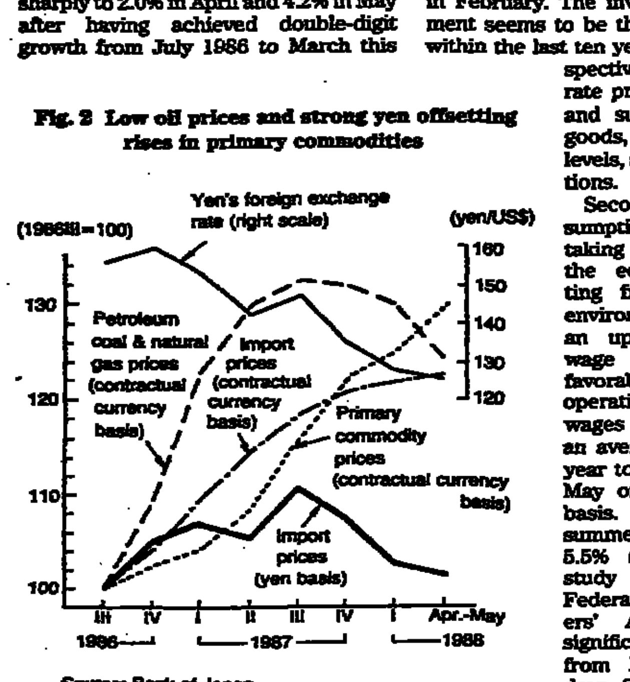
International policy coordination cannot succeed when one country acts only in response to its own domestic needs or fails to give sufficient consideration to the circumstances of other nations. The memory of last year's stock market slump, due to policy discords between the United States and West Germany amidst growing global inflationary fears, is still fresh. Now that the prices of primary commodities have begun to rise worldwide, and fears of inflation have become more acute, it is important for every country to support international efforts to coordinate their policies.

Fig. 1 Production activity suggesting a pause in its growth



Source: MITI

Fig. 2 Low oil prices and strong yen offsetting rises in primary commodities



Source: Bank of Japan

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AMERICAN NEWS

Dukakis and Quayle try to put policies in spotlight

By Our Foreign Staff

BOTH sides in the US presidential election have gone on the attack, seeking to turn attention away from personalities and back to policies.

Since the end of the Republican convention last week, the US press has focused almost exclusively on the controversy over Senator Dan Quayle, the running mate of Vice-President George Bush, the Republican candidate. Mr Quayle is alleged to have used family influence to join the National Guard to escape combat duty in the Vietnam War.

Yesterday, one of Mr Quayle's aides said the American people were tired of the affair and it was time to talk about issues. "We feel the National Guard is behind us," David Prosperi said in outlining the campaign's plans to concentrate its fire on Mr Dukakis. This was reflected in yesterday's press, which largely ignored the imbroglio.

Mr Dukakis, the Democrats' candidate, who has been overshadowed by the Quayle affair, yesterday sought to turn the spotlight onto the Reagan administration. In particular he targeted its links to Gen Manuel Antonio Noriega, Panama's military strongman, who was indicted in the US in 1987 on charges of drug trafficking.

In a strongly worded speech, Mr Dukakis accused the administration of being "actively in business" with Gen Noriega. "How can we ask our kids to say no to drugs here at home when we have an administration that's been in bed with Gen Noriega?" Mr Dukakis said.

On Wednesday night, Mr Quayle also went on the attack, accusing Mr Dukakis of weakness on defence. "The roll call of Michael Dukakis's defence and foreign policies positions amounts to a litany of retreat – a prescription for American retrenchment in the 1990s," he said.

The long-term result of the controversy over the Quayle affair is still unclear. Though Mr Bush seems to have closed the pre-convention gap with Mr Dukakis, he may have lost some of his post-convention bounce as a result of the Quayle affair.

Polls released yesterday put Mr Bush ahead by leads so slim they were within the margins of error: 44-39 in an NBC News-Wall Street Journal poll, and 49-47 in a Harris poll.

Polls better at showing trends than measuring movements

By Peter Riddell

IF THE opinion polls are to be believed, support for Vice-President George Bush has jumped from 33 to 51 per cent in August – and backing for Governor Michael Dukakis has dropped from 55 to 40 per cent over the same period.

These are the extreme top and bottom figures, but all the polls have shown volatility. So something strange has been happening – either to the polls, or to voters' opinions.

Part of the answer lies in the polls. Several of those most quoted on television news bulletins in the US are based on small sample sizes. For instance, ABC News produced surveys within four days of each other showing nine-point variations in support for the two candidates. These reflect polls of only 380 voters, and have a stated margin of error of plus or minus 5 per cent. This qualification could account for all, or most, of the change.

Both Democratic and Republican pollsters have expressed considerable doubts about such small samples.

For comparison, in Britain, which is less than a quarter the size of the US, pollsters reckon that a sample of at least 900 to 1,000 is needed to produce an adequate guide. Anything less is regarded as statistically suspect.

The real use of small sample polls, many of them privately conducted on behalf of the candidates, is as tracking surveys to pick up changes in trend. They are often taken on a single night, which does not allow full checking, so are better as pointers to a new direction than as measures of the extent of movement.

But even the larger sample polls have pointed to a marked change during August, with Mr Dukakis slipping back and Mr Bush gaining. This is largely to do with the phenomenon of post-convention bounce: the news coverage helps the candidate.

Since the era of television conventions started in the 1960s, the average rise in a candidate's poll rating in the immediate aftermath has been 6 to 7 percentage points. In some cases, such as Richard Nixon in 1968 and Ronald Reagan in 1980, the boost has been 13-14 points.

The current volatility is by no means unusual at this stage of the election, in particular among young voters. A New York Times/CBS News poll showed, for example, a 15-20 point shift towards Mr Bush among voters aged under 30 since late July and the immediate aftermath of the Democratic convention.

Mr Tubby Harrison, Mr Dukakis's pollster, has described the findings as "premature", noting that the afterglow of the Republican convention was still too strong and the full impact of Senator Dan Quayle's selection as running-mate too uncertain to gauge yet. "We're waiting for the dust to settle."

There is still 2½ months to go before polling on November 8, and a lot can happen. For instance, in 1968 Hubert Humphrey was 16 per cent behind in August, but lost by less than 1 point. In 1976, Gerald Ford was 22 per cent behind in August, but lost by only two points.

Even treating the polls with all necessary caution, their recent movements, while certainly large, have past precedents. If they have a message, it is that a sizeable segment of the US electorate is still uncertain about both the direction of the US, and the rival merits, and defects, of the candidates.

Chilean junta assumes a confident air

Mary Helen Spooner on Pinochet's unexpected decision to lift the state of emergency

GENERAL Augusto Pinochet has seized the initiative from the opposition with his surprise decision on Wednesday to lift the "states of exception", a range of security measures in force throughout the military Government's 15-year history.

The decision comes six days before Chile's junta is to choose a candidate for a one-man presidential plebiscite, tentatively scheduled for early October.

Both the opposition and many foreign governments have been pressing the regime to take this measure, as a minimum guarantee for a free debate before the poll. However, it remains to be seen how much the Government will relax its security apparatus.

The state of emergency, which allows authorities to hold detainees for five days without charges, to send political dissenters into exile or banish them to remote parts of the country, and to curb freedom of expression and assembly, was lifted along with a less stringent measure, the "state of threat of danger to internal peace".

The announcement was made by Interior Minister Sergio Fernandez, who read a statement at a press conference held in the La Moneda presidential palace.

"The citizenry should be completely assured that the authorities will never permit the lives or properties of the country's inhabitants to be placed in danger, nor will they hesitate an instant in adopting any legal measures necessary for their protection," the communiqué said.

"The Government hopes that the public's serenity and maturity will decisively contribute to neutralising the efforts of small minorities aiming to alter the country's political process."

The state of emergency was last renewed in June, running for 90 days. This prompted criticism from human rights and opposition political groups as well as from foreign governments, who said it would impede a free and fair voting process during the plebiscite. The US State Department said the US Administration was "concerned and deeply disappointed" by the move.

This generated an angry response from Chilean officials. US ambassador Harry Barnes was summoned to the Foreign Ministry and handed a formal note protesting at the State Department declaration a few days later.

The lifting of the two states of exception was preceded by a number of hardline official statements as well as several other incidents suggesting the regime was not likely to liberalise its policies before the plebiscite.

On Monday, an army general in charge of the state of emergency in the Chilean capital refused an opposition group's request to hold a rally in eastern Santiago, and the following day Army Vice-Commander Gen Santiago Sinclair levelled a strong attack against Chilean opposition leaders, suggesting that their criticisms of the regime amounted to treason. The Chilean Army will "never compromise the principles inspired in the work begun on September 11," he said, referring to the date of the 1973 military coup.

General Pinochet: unlikely to want to give up his posts

The junta, composed of Gen Pinochet, the head of the army, the heads of the navy and air force and of the paramilitary carabiñeros (police), is expected to name Gen Pinochet as its candidate next Tuesday.

In recent weeks the commanders of the navy and air force and carabiñeros have suggested that if the presidential candidate was a military officer he would take office as a civilian if elected.

Gen Pinochet, who this week celebrated his 15th anniversary as commander of the Chilean Army, seems unlikely to relinquish either the presidency or his military command willingly, an issue which could delay the nomination process.

According to the regime's 1980 constitution, the junta must unanimously decide on a candidate within 48 hours. Failing this, the nominating process will be transferred to the National Security Council, made up of the military commanders, the president of the Supreme Court, and the president of the Council of State, a government advisory body.

The National Security Council must approve the candidate by a simple majority, which supporters of Gen Pinochet could easily secure. Nevertheless, such a delay in the nominating process would create an impression of divisions at the highest levels of the regime and would hardly help Gen Pinochet's chances in the plebiscite.

Defence Minister Patricio Carvajal, a Pinochet loyalist, said on Wednesday that preparations had already been made for an official proclamation of the presidential candidate on the evening of August 30.

He said junta member and navy commander Admiral Jose Merino would make the announcement, but did not say whether the junta members had reached some prior agreement on the candidate. His comment, along with the lifting of the states of exception, seems designed to create an impression of confidence and decisiveness on the part of the authorities.

The lifting of the states of exception is expected to alleviate some of the tension as the date for the plebiscite draws near, but the regime still has at its disposal a number of legal devices to curb dissent. Article 24 of the regime's constitution states that the President's authority "extends everywhere when it has as its objective the internal public order and external security of the republic."

In addition, several state security and anti-terrorist laws in effect had allowed the Government to prosecute opposition figures and journalists on rather vague charges such as "offending the armed forces" or endangering the country's internal security.

Last week Chile's Supreme Court, acting on a legal suit filed by the Interior Ministry, sentenced the president and vice-president of the country's largest labour organisation to 541 days' internal exile for their part in organising a one-day general strike last October.

Several Chilean journalists are facing government lawsuits on a variety of charges involving supposed insults to the military or the President, and the country's press association staged a one-hour work stoppage yesterday to protest at the measures.

US growth rate ahead of trend

By Anthony Harris in Washington

US non-agricultural GNP rose at an annual rate of 4.8 per cent in the second quarter of 1988, according to revised estimates issued by the Department of Commerce yesterday.

This is a sharp increase on the non-agricultural growth of 3.6 per cent implied in the original estimate.

Growth was led by consumer and export demand, and stockbuilding fell by nearly half, to about the same as its average rate in 1987.

This evidence of sustained above-trend growth helped to weaken sentiment in the bond market, already under pressure from increases in European interest rates. The market also reacted sharply at first to an upward revision in the implied GNP price deflator to 5.1 per cent, compared with 4.1 per cent in the original figures.

However the fixed-weight price deflator, which measures average price moves, was unchanged at an annual rate of 4.7 per cent.

The jump in the implicit deflator reflects changes in the composition of output as well as price changes, and was influenced on this occasion by the higher estimate of crop losses caused by the drought, which are now expected to reach $14.3bn (£8.5bn) at 1982 prices.

Of this loss, $2.4bn was allocated to the second quarter, and reduced the annualised growth rates by a full percentage point to 3.3 per cent, compared with a revised 3.4 per cent annualised real growth rate in the first quarter.

The report also shows a sharp recovery in corporate profits. These were up 5 per cent from the previous quarter, which had showed no increase on the final quarter of last year.

The improvements were concentrated in durable goods, transportation (reflecting reduced price-cutting by the airlines and increased rail travel), public utilities and other services.

Bahamas MPs denied US visas in drugs campaign

By Athena Damianos in Nassau

A SERIES of recent incidents has shown that the US Government is maintaining its pressure on the Bahamian Government to clean up on drugs-related corruption.

One of the main means by which the US has displayed its displeasure has been denying entry visas to people associated with Prime Minister Sir Lynden Pindling.

In the latest case, Mr Kendal Nottage, a former Bahamian Cabinet Minister and a member of parliament, was this month declared ineligible for an American visa by the US State Department.

Mr Nottage, a close friend of Mr Pindling, was found by a 1984 commission of inquiry to have been the front man for a New England Mafia drug trafficker "whether he knew it or not".

In April, Mr George Smith, another former Cabinet Minister, was also refused a visa.

Mr Smith said the State Department determined that he knowingly aided, abetted and assisted or colluded with drug traffickers.

Diplomatic friction has also been caused by the US Customs, who searched the Prime Minister's 1973 Rolls Royce.

WORLD TRADE NEWS

Norway in gas deal with Dutch

By Karen Fossli in Stavanger

STATOIL, the Norwegian state oil company, said yesterday that it has signed a letter of intent to supply SEP, the Dutch electricity generating board, with 2bn cubic metres (bcm) of gas per year from 1996 for a duration of 20 years.

Statoil said that SEP intends to use the gas as a source of power for two power generaration plants which it (SEP) intends to build at Emshafen, near the West German city of Emden.

First gas supply will commence in 1995 at a rate of one billion cubic metres, but will increase to 2 bcm by 1996.

The pricing formula which is being used by Statoil is linked to the prices of coal and the rate of inflation, and not to the oil price as has been the case for previous gas sales agreements in which it has entered.

Statoil said that it intends to transport the gas through the existing Norpipe line which is operated by Phillips.

US technology plea

US officials, afraid that Japanese companies are gaining easy access to leading American technology, are pressing Tokyo for better legal safeguards in its patent and copyright systems, Reuter reports from Tokyo.

US and Japanese government officials said the issue will be the subject of bilateral talks in Hawaii next week.

Turkish power plant

Turkey and Iran have reached agreement in principle to construct jointly a power plant in eastern Turkey which will operate with Iranian natural gas, AP-DJ from Ankara.

Turkish Energy Minister Fahrettin Kurt said the decision on the power plant was reached in talks with visiting Iranian Oil Minister Gholamreza Aqazadeh and that electricity generated by the plant would be used jointly by the two neighboring countries. A pipeline would also be built to bring Iranian natural gas to the plant, Mr Kurt said.

During Mr Aqazadeh's visit the two sides are also discussing a proposed pipeline to bring Iranian crude oil to a Mediterranean terminal.

Swiss protest at China's retroactive silk price rise

By John Wicks in Zurich

SWISS silk importers have protested to China at what they claim is a breach of contract following an announcement by the Peking-based China National Silk Import/Export Corporation of a 30 per cent price increase.

Member companies of the Association of Swiss Textile Industries (VSTI), of Zurich, account for some 60 per cent of all European silk imports. Their complaint concerns silk ordered in China a year ago and awaiting delivery.

Protests have also been lodged by France, Italy, West Germany, the UK, Japan and the US, says VSTI, but without effect.

The importers claim they were recently informed by the Peking body that the prices were to be raised with retroactive effect and that no deliveries would take place if the higher prices were not paid.

VSTI said the Chinese were aware that the silk was urgently needed. Swiss importers stood to lose heavily if they agreed to these demands "and would run the risk of being blackmailed not only today but also in future".

Apart from sending a protest note to China National Silk, VSTI has received support from the Swiss Government. However, negotiations at government level have failed so far.

The reason given by China for the retroactive price increase is the shortage of cocoons since last year, as well as regional decentralisation with "resultant re-privatisation" and "liberalisation of the trade in the individual regions".

9,000 Caribbean jobs created by Puerto Rico

By Larry Luxner in San Juan

AN UPBEAT report issued by the US Commonwealth of Puerto Rico claims the island has helped create nearly 9,000 jobs in 11 Caribbean countries through its involvement in the US Caribbean Basin Initiative Programme.

A summary of the study, to be presented to US Congress next week, credits Puerto Rico's Economic Development Administration (Fomento) with helping to establish 51 complementary "twin-planned" projects between Puerto Rico and its Caribbean neighbours. It says those projects together represent $54.7m in offshore and $31.6m in local investment, and that "Fomento is presently working with another 35 production-sharing projects with strong potential for establishment" in fiscal 1989.

The report, prepared for Texas Democrat J.J. Pickle, chairman of the oversight sub committee of the House Ways and Means Committee, is crucial to Puerto Rico because it could determine future congressional support for Section 936, the mainstay of the Puerto Rican economy.

Under Section 936, US manufacturers are exempted from paying federal income tax on profits earned by their subsidiaries in Puerto Rico. Three years ago, when Congress wanted to abolish Section 936, Puerto Rico Governor Rafael Fernandez Colon saved the programme by promising to use at least $1m a year in lower cost 936 funds to help finance manufacturing and infrastructure projects in CBI beneficiary countries.

US may ease spirits restrictions

THE US said this week it was trying to make it easier for American whiskey makers to ship watered-down spirits overseas, Reuter reports from Washington.

The Government asked for public comment on proposed new regulations that would no longer require US makers of such alcoholic beverages as bourbon and brandy to print the word "diluted" on the label of spirits that were less than 80 proof – 40 per cent alcohol – and sold overseas.

While liquor must be at least 80 proof before it can be labeled as bourbon, rum, whiskey or gin in the US, more watered-down beverages can be sold in foreign markets if it is labelled diluted.

Mr Rex Davis, president of the Washington-based Delta Consulting, which petitioned the Government for the rules change, denied the proposal was intended to deceive foreign buyers.

French sales to Moscow 'rival Toshiba case'

A US Defence Department official has focused new attention on a French investigation of illegal exports to the Soviet Union by describing the case as rivalling the scandal involving Japan's Toshiba Corp, AP reports from Washington.

Mr Stephen Bryen, deputy under-secretary of defence for trade security policy, said on Wednesday that the US authorities had been deeply involved in investigating a "serious" technology diversion case.

Mr Bryen refused to identify the company under investigation. He said some individuals already had been charged and other arrests would follow

According to other government officials, however, Mr Bryen was referring to an investigation of a French company known as Forest Line that once went by the name of Ratier-Forest.

They said US intelligence agents tipped off the French early this year about Forest Line sales of heavy milling equipment to the Soviet Union.

The French case surfaced last spring but attracted little notice at the time. French authorities said that four people had been arrested under anti-espionage laws, including Louis Tardy, chairman of Machines Françaises Lourdes, and Jean-Paul Chamouton, president of Forest Line.

Machines Françaises Lourdes, now bankrupt, was the parent company of Forest Line.

Soviets set to sign US grain deal

THE US and the Soviet Union will soon complete a big grain deal under which Moscow would buy millions of tonnes of wheat, maize, soybeans and soybean meal, the New York Times reported yesterday, Reuter reports from New York.

Citing officials at the State Department and Agriculture Department, the newspaper said the final details would be worked out at a meeting in September.

"We will finalise an agreement at our next negotiating session," Mr Thomas Kay, head of the Foreign Agriculture Service at the Agriculture Department was quoted as saying.

"That is good news for American farmers. States that grow wheat, corn and soybeans should be delighted," Mr Kay said.

US Agriculture Secretary Mr Richard Lyng said he hoped an accord could be reached at the next negotiating session which was expected to be next month.

In what the newspaper said was a confidential report describing the negotiations, US Trade Representative Clayton Yeutter was quoted as saying: "Our major objective is to increase the minimum annual purchase requirement."

Under current agreements, the Soviet Union was supposed to buy at least 9m tonnes of grain in each of the past five years, a target not always achieved.

The newspaper said the US had been trying to raise the annual figure to 11m tonnes, while the Soviet Union had been seeking to lower it to 8.8m tonnes.

Cuba buying Volvo buses

CUBA is buying 40 air-conditioned buses from Volvo for nearly $4m as part of a programme to upgrade the island's tourism facilities, the official Prensa Latina news agency said, Reuter reports from Havana.

Under a contract with the Swedish firm, Cuba's National Tourism Institute will pay $83,000 each for the buses with delivery due to start in December.

Castro cashes in on Caribbean's tourists

Cuba is pulling in the crowds, says Canute James

CUBA'S neighbours, whose economies are increasingly dependent on tourism, are watching with more than mild interest the implementation of an ambitious Cuban Government programme to develop a home grown version.

Once the leading resort in the Caribbean, Cuba's industry died with the communist revolution led by Mr Fidel Castro, still its leader, and the US trade embargo. In 1958, the year before the revolution, Cuba had 350,000 tourists.

Last year the volume of visitors reached 250,000, 10 per cent more than 1986, with earnings estimated by the Government at $120m.

There is yet little concern that the Cuban expansion, if it achieves its target, will eat significantly into the market of the other resort countries which will this year earn about $7bn from 10m visitors. But hoteliers in the region now say, somewhat uneasily, that Cuba's plans appear to be an effort to reclaim its dominance.

Most of the tourists came from Canada, Latin America, western and eastern Europe. The Cuban Government is spending the equivalent of $400m to develop tourism, building new hotels and rehabilitating existing ones, and constructing airports. The expansion is concentrated on Havana, the capital, and the resort of Varadero, just under 160km to the east.

The aim of the programme is to lift the volume of tourists to at least 600,000 in four years, increasing earnings to about $300m a year, according to Cuban officials. "We are aware of what is going on in Cuba," said Mr Jean Holder, secretary-general of the Caribbean Tourism Research and Development Centre, based in Barbados. "I do not think the rest of the Caribbean sees the Cuban development as a threat to the market."

Mr Holder said, however, that Cuba had an advantage over other Caribbean countries. "They can put any price they want to on their product and they have their own air transportation."

Cuba's renewed interest in tourism is the result of problems to other sectors in its economy. Its hard currency earnings from that part of its sugar which is sold to the West have been depressed by low prices. It has suffered similarly from low prices for its re-exports of Soviet oil.

Cuban Government officials say that the industry can become a significant foreign exchange earner for the island. The Government has set up an agency to oversee the development of the industry, and to negotiate with foreign companies interested in joint ventures in tourism. The officials say discussions are being held with prospective investors in Canada, Latin America and Western Europe.

Barring a dramatic change in relations between Havana and Washington in the next two years, Cuba's plans for tourism are being made without consideration of the US market.

The Reagan Administration has threatened to punish US nationals who visit the island as tourists and spend money there.

"The rest of the Caribbean must hope that there is no early detente between Cuba and the United States," said a Puerto Rican hotelier who worked in the Cuban industry before the revolution.

"If Cuba is opened up then hundreds of thousands of Americans will go there instead of coming here or to other parts of the Caribbean. Cuba will be new, interesting and cheaper. We would all suffer."

But Mr Victor Curtin, director of statistics for the Tourism Centre, suggested that the rest of the Caribbean would not be adversely affected if Cuba achieved its target of 600,000 visitors per year.

"It is a big cake with 10m visitors expected in the Caribbean this year, so Cuba should not be a threat to the other countries. Cuba is aiming at the cheaper end of the industry." In attempting to get a bigger slice of the cake the Cubans are hoping to gain from a Caribbean industry which has the CTRC says has grown by 40 per cent in the past decade, against growth of 25 per cent for the rest of the world.

Tourism contributes 42 per cent of the region's gross national product, said Mr Holder. North America has been the main market for Caribbean tourism, accounting for about two thirds of the volume. But the region has been attempting to develop its European market.

While there has been a slowdown in arrivals from North America this year (the volume is 2.2 per cent higher than last year), growth in arrivals from Europe is running at about 20 per cent.

Despite this growth, the region is facing strong competition from other resorts. The CTRC reported that movements in exchange rates have made Latin American resorts more competitive than the Caribbean for the North American traveller.

"In the winter most Caribbean destinations [except Cuba, the Dominican Republic and Haiti] are more expensive than the same holiday in competing destinations," the Centre said.

Several resort countries in the Caribbean are trying to make the most out of a steady increase in the volume of cruise ship business. Cruise ship passenger arrivals in the region last year reached 5.6m, 12 per cent above the volume in 1986.

Harbours and piers are being developed at several ports in the region at a cumulative cost of about $185m. The big projects include a $25m development in St Lucia where cruise passenger arrivals grew by 42 per cent last year.

Cuban plans do not include substantial development of cruise shipping facilities. Nor do they indicate that there will be a return of the casinos and the famed night life which lured Americans to pre-revolutionary Havana.

"The night life is what attracted most tourists to Cuba when I was there," said the Puerto Rican hotelier. "Most of them now come to Puerto Rico. I do not expect the Cubans to go back to these attractions because it would ideologically uncomfortable for them. But after being shut off for three decades even a plain Cuban beach could be an attraction."

Price war erupts among leading equity traders

By Clive Wolman

A PRICE war erupted in the stock market yesterday between large UK securities houses. Margins between the best available buying and selling prices for shares narrowed by 40 per cent in the 100 most actively traded stocks.

The development reflected a scramble for business aftering a slump in trading volumes. Institutional investors and brokers which act as agents have complained about the width of market-makers' price spreads – and the consequent cost of share dealing – since last October's stock market crash.

In the first half of this year, average spreads were wider than those prevailing before the 1986 Big Bang reforms despite the massive increase in competition between market-making firms since then.

The US-owned Citicorp Scrimgeour Vickers (CSV) led the way yesterday morning by displaying much narrower spreads on share price quotation screens, even for large quantities of 100,009 shares.

Other leading market-makers matched their prices within a few minutes but shortly afterwards a counter-attack was launched by Phillips and Drew, a subsidiary of Union Bank of Switzerland.

It narrowed the spreads further but reduced the on-screen quantities of shares at which it was prepared to deal to only 5,000 shares in most stocks. However it offered to deal with regular clients in much larger volumes.

This had a dramatic effect on the price spreads for the 140 most actively traded "alpha" stocks and for a substantial proportion of the 600 "beta" stocks.

However for the less actively traded "beta" and "gamma" stocks, the spreads, which had almost doubled after the crash, barely narrowed.

The spread between the best available buying and selling prices – called the "touch" – for ICI narrowed from 10p to 5p (0.5 per cent of the price) despite yesterday's volatility in the stock market after poor UK trade figures and a rise in bank base rates.

The price quotation for BAT Industries shares narrowed to 433p for sellers and 435p for buyers.

For Beecham shares, the touch narrowed to 468p-469p. In some shares, the touch fell to zero for several hours.

The average touch on alpha shares is estimated to have fallen from 1.05 per cent of the price to 0.65 per cent, probably the lowest it has ever been.

Two of the largest market-makers, Barclays de Zoete Wedd and Smith New Court, made only a limited public response to the price-cutting.

Mr Peter Holloway, BZW's chief market-maker, said: "If people want to buy market share by tearing up £50 notes, then let them. They can fight wars between themselves and we will pick up the pieces afterwards." But even BZW and Smith were forced to match the best prices in private deals.

Mr John Hewitt, CSV's managing director, said his firm decided on the move after noticing that several competitors had been narrowing their spreads surreptitiously for several weeks.

"If the visibility of the market is not there, it makes nonsense of the obligation to deal at best prices (under the new investor protection rules)," he said.

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Lawson pulls harder on the economic levers

Simon Holberton assesses the booming economy

THIS IS turning out to be a memorable but not glorious summer for Mr Nigel Lawson, the Chancellor of the Exchequer, and his top adviser at the Treasury.

If conditions do not improve, Mr Lawson may find himself addressing the Tory party conference in the autumn, with inflation approaching 6 per cent, a trade deficit nearing £10bn and mortgage interest rates on the rise.

His speech writers will have to tiptoe through the Thesaurus to find suitable calming words for the party faithful.

It was only in June that the Treasury realised that the economy was growing much faster than it forecast at the time of the Budget, and began to tighten policy. This took bank base rates to 11 per cent.

Yesterday's rise in base rates to 12 per cent suggests it has again been taken by surprise. Recent indicators suggest even more buoyant demand conditions.

Another aspect weighing heavily on the minds of policy makers was the markets' reaction to the trade figures. To have done nothing or increased interest rates by ½ a point would have risked a fall in sterling and that would not have been propitious for the inflation outlook.

A rise of less than a full percentage point would have been weak signal; it would have heightened uncertainty and increased speculation over the timing of the next ½-point rise in rates.

Britain is currently in the middle of a consumer and investment boom, but mostly consumer boom. It is this aspect which the most worrying to the Government. Figures for July retail sales, money supply growth and now trade all point in one unambiguous direction. The pace of consumers' demand has gathered pace.

- Retail sales, which account for about half of consumers' expenditure, are running at an annual rate of growth of 6¼ per cent. In July, retail sales volume grow by 2 per cent compared with June.
- The Treasury's favourite indicators and the only one to have a pre-set target, M0, the narrow measure of money supply, is growing at an annual rate of 7 per cent. The Treasury's target is for growth of between 1 per cent to 5 per cent.
- Yesterday's trade account figures were described by one senior official as "appaling". Imports rose by £1bn in the month. Imports of cars are growing at an annual rate of 33 per cent, other consumer goods by 14 per cent, intermediate goods by 27 per cent. The rapid growth in investment show up in the 25 per cent annual rise in imports of capital goods.

The Government hopes it has now done enough. As Mr Lawson said yesterday, interest rates will have to remain at 12 per cent for some time. Senior officials believe that 12 per cent may well be all that needs doing, even though they admit the belief is underpinned mostly by hope.

The pressing question is whether interest rates actually work in slowing the economy. Some of the most respectable models of the UK economy would suggest interest rates have a negligible effect.

Not surprisingly, the Treasury and the Bank of England, are confident that the interest rate lever will be successful in reining in the rapid growth in demand. This in turn will have a beneficial effect on the balance of payments.

Their rationale is simple and persuasive. They see interest rates working directly on consumers' capacity to spend and more broadly, the psychological impact across the whole economy as well. The latter, especially cannot be modelled mathematically.

Another rise in mortgage interest rates will hurt the consumer. The personal sector in Britain is already in deficit, a reversal of recent history when the personal sector was a net lender to the economy.

This has been brought about by a rapid accumulation of debt, especially mortgage debt, and a run down in private savings. Higher interest rates should make savings more attractive relative to expenditure while, at the same time, absorbing a higher proportion of income for those who are in debt.

This leads officials at the Treasury and the Bank to berelatively sanguine about the balance of payments and to argue that the deficit should be self-correcting when the rapid growth in demand begins to slow.

The growth in exports attests, they say, to the fact that British industry is currently very competitive, despite the erosion in competitiveness since the 1986 oil-price fall improved industry's ability to compete.

Risks, however, still remain. Will 12 per cent base rates be enough? Any budgetary measures before the spring of next year were ruled out by the Chancellor. There is no enthusiasm at the Treasury or the Bank for direct controls on lending.

One official likened the process of raising interest rates to bear down on demand and inflation to pushing against a door until it opens.

"You can get it open eventually," he said. "You just don't want to push too much and end up in a heap on the other side."

Investment firms face exclusion from compensation scheme

Authorisation needed for 2,000 businesses

By Richard Waters

MORE THAN 2,000 investment businesses have failed to gain authorisation under the Financial Services Act, which came into force at the end of April.

In almost all cases the fault lies with the firms themselves, regulators said. It is not generally because of a backlog in the authorisation process, something which had been feared after a deluge of applications were submitted by the deadline of February 26 this year.

This picture emerged ahead of tomorrow's introduction of a compensation fund for clients of the 10,656 firms which have received full authorised under the Act. Clients of the other 2,040 firms, which have interim authorisation, are not covered by the fund, which pays out up to £48,000 on any one claim.

Most of the clients of firms with interim authorisation are not yet aware of this fact. It is only tomorrow that firms have to disclose their status on their letterheads.

About three quarters of those with interim authorisation are small firms which have applied to the Financial Intermediaries Managers and Brokers Regulatory Association. Most of these have not replied to requests for more information, said a Fimbra spokesman. The applications of about 400 will lapse automatically if they do not respond within two weeks.

The Securities Association said that it is seeking more information from 61 applicants, while the Investment Managers Regulatory Organisation has 20 firms in this position.

Firms whose applications are still pending hit out yesterday at the delays which, they said, were likely to damage their business.

"We should be authorised by now and its very damaging that we're not," said Mr Tom Wilmot, chairman of Harvard Securities, the largest over-the-counter securities dealer. "We are trading at a disadvantage to firms that have been authorised." Harvard had 7,500 clients, he said.

LHW, a futures firm with about 600 clients which is awaiting word about its application from the Association of Futures Brokers and Dealers, said that it regretted the fact that it had not yet been authorised, but that it understood the burden of work on the regulators.

"Obviously we are concerned that the introduction of the new (compensation) scheme will put us at a disadvantage. From what they tell us, the AFBD are conscious of that point, and are doing everything they can to process our application," LHW said.

Both Harvard and LHW denied that they had been responsible for the delay in deciding on their applications.

Elders 'proposed S&N merger'

By Lisa Wood

ELDERS IXL, the Australian group which holds a stake of at least 9.33 per cent in Scottish & Newcastle Breweries, proposed an agreed merger with the Scottish-based drinks company last month, Mr Alick Rankin, chief executive of S & N, said yesterday. But the overture was rejected.

Sir David Nickson, chairman of S & N, disclosed yesterday at the group's annual general meeting in Edinburgh that meetings had taken place between S & N and Mr John Elliott, chairman of Elders. These were at the request of the Australian group, which owns Courage, the large UK brewer.

Mr Rankin later said: "I am not prepared to reveal details of a conversation which was conducted confidentially. But it embraced the concept of an agreed merger.

"As far as S & N is concerned an agreed merger requires that there is no loss of control by S & N, that the commercial logic is sound and that shareholders' interests are protected. The proposals of Elders did not meet those criteria."

Speculation over a possible bid by Elders for S & N has circulated in the City of London for some weeks. Analysts believe one reason for the Australian company's interest is a desire to increase the distribution of Fosters' lager - a brand owned by Elders for which it has global ambitions.

Mr Rankin said he did not think Elders would make a bid for S & N. He said: "I do not believe that the very large price that would have to be paid for our company is justified by the goal of wider distribution for just one brand of beer."

At the annual general meeting Sir David said the first three months trading for the current year had seen good volume increases in beer sales, the best for some time. Thistle Hotels continued to trade strongly, despite a relatively poor summer for tourism in London and against an outstanding performance in 1987.

Submarine workers vote to end strike

By Michael Smith,
Labour Staff

WORKERS at the Barrow-in-Furness yard of VSEL, the nuclear-powered submarine builder, have voted to end an 11-week strike. Work is likely to resume there early next week.

Last night only five of the 12 unions involved had declared results of their ballots but each produced majorities of at least two to one in favour of accepting the company's package.

The dispute was sparked by the company's intention to introduce a fixed two-week holiday in the summer. In return for the fixed holiday the unions have won a package including a one-off payment of £250, an extra one to two days holiday a year and more holiday pay. The fixed holiday will also be phased in over three years rather than being introduced in full next year as the company originally planned.

It is thought that the other seven unions have also also voted for a return to work. Mr Clive Kitchen, vice-chairman of the Barrow Confederation of Shipbuilding and Engineering Unions said that even if some unions dissented they would be advised to return to work.

The vote ends a dispute which has cost more working days than any other in Britain this year. With about 12,500 of the VSEL staff refusing to cross the picket lines since June 8, the number of days lost exceeds 680,000.

Mr Kitchen said the vote reflected the hardship caused by the workers' lack of money rather than an acceptance of the company's offer. Even the lowest paid members of the VSEL staff have lost more than £1,100 in net pay during the dispute.

UK NEWS

Post workers set for first national action since 1971

By Michael Smith, Labour Staff

BRITAIN's postal workers have a vested interest in ensuring that the first class mail sent out tomorrow for Monday is delivered on time. Among the weekend batch will be letters addressed to themselves outlining how they will embark on their first national industrial action measures in 17 years.

At face value the circumstances of this dispute seem *even less favourable to the* union than those of 1971, when the strikers are generally considered to have emerged with a bloody nose.

For one thing Mrs Margaret Thatcher's Britain has been shown time and time again to be unfertile ground for industrial action -particularly in the public sector. For another the complicated issue at the heart of the 1988 dispute -pay supplements for new recuits -seems far less likely to inspire public support suited than the 1971 strike for pay.

The postal workers seem nevertheless to be relatively united. A ballot organised by the Union of Communications Workers this month produced a majority of two to one in favour of authorising industrial action. That now looks set to go ahead next week.

Behind the immediate causes for the dispute lie five years of hectic change in the Post Office. During that time, the organisation has split itself into four -parcels, letters, counters and Girobank -and each has adopted a more aggressive commercial approach.

In the letters business, the focus of the dispute, productivity has increased by 25 per cent since 1983 and business has boomed. The 51m letters carried by the service daily is about 8 per cent up on last year, 30 per cent ahead of 1983 and 42 per cent ahead of 1978.

The success, however, has a price. The strain of change is showing up not just in relations between the Post Office and the UCW but also in the union itself. At this year's annual UCW conference the union's executive faced more criticism than it has done for years and several of its policies were rejected from the conference floor.

Some delegates felt that Mr Alan Tuffin, general secretary and a political moderate, and his executive colleagues were not pursuing a sufficiently hard line in their dealings with Post Office management.

Cockburn (left): offer failed to dissuade Tuffin from action

During the last year there have been several highly public fracas between the UCW and the Post Office. Last Christmas the union was on the brink of ordering selective strikes before a last minute deal was agreed over its claim for a shorter working week. In the agreement it exchanged a reduction in hours for a productivity deal.

Then *this* summer the Post Office went to the High Court to seek an injunction preventing the union from instructing members from boycotting team briefings, workplace discussion groups. It won the injunction but whether the briefings are achieving their aim of improving industrial relations remains to be seen.

The desire for improvement is understandable. Although there have been no national strikes in the Post Office for 17 years there has been plenty of wildcat action at local level. The Post Office points out that the 64,000 days lost last year through strikes represented less than 0.3 per cent of the total.

Nonetheless the figure compares with 54,000 in 1984, when there were fewer staff, and just 2,000 in 1980. Barring unexpected developments between now and the middle of next week it seems the tally for this year will be worse than 1987.

The dispute began with the Post Office's imposition in May of Difficult Recruitment Area Supplements (Dras) of between £7.50 and £20 a week for recruits in regions where attracting new staff to the Post Office is difficult. The union opposed the payments -partly because, it said, they breached last Christmas's productivity deal -but after six months of negotiations the Post Office went ahead with them anyway.

Mr Bill Cockburn, Royal Mail Letters managing director, says the Post Office. reached the stage where the payments would have to be paid or services would deteriorate. He points to areas like Guildford and Croydon where staff turnover has reached 55 per cent and 53 per cent respectively.

Mr Cockburn's offer to withdraw Dras from September 30 has failed to draw brack the union from industrial action. Mr Tuffin says that the Post Office's determination to replace Dras with a similar scheme on October 1 means that the union would be negotiating under duress, so talks have broken down.

The union's opposition stems in part from its concern about the scheme being a Trojan horse for regional pay variations.

The union also wants talks about recruitment to include pay and conditions for members with more than a year's service. Post Office believe this unnecessary because four fifths of the people who leave in the problem areas have less than 12 months service.

If the differences are not resolved by any last-minute talks, the effect of industrial action will be almost immediate.

EC tourist ministers to discuss British hooligans

By David Churchill

THE FOREIGN Office yesterday made clear its concern at a rising level of arrests of British holidaymakers in Spain and Greece, mainly for drunken bahaviour and petty theft.

Mr Tim Eggar, Foreign Office Minister, said that the problem of holiday hooligans was on the agenda for a meeting of European Community tourism ministers in Athens next week.

He also plans a separate meeting with Greek tourism officials to discuss the growing problem of the behaviour of some British holidaymakers in Greece.

The Foreign Office's concern follows figures released yesterday which show that the number of Britons arrested in Greece in July this year was 42 compared with only seven in the same month last year.

In the three months May to July this year, the total number of Britons arrested in Greece was 80 compared with 20 in the same three months last year.

Over the same three-month period the number of Britons arrested in Spain this year was 227, compared with 181

The figures, compiled by British consuls in Spain and Greece, excluded Britons picked and detained overnight but not charged.

In spite of the increased arrests in Spain and Greece, the total numbers of Britons arrested on the continent in the first seven months this year totalled 1,196 compared with 1,256 over the same period last year.

Mr Eggar said yesterday that the Government was concerned "at the small minority of holidaymakers who give us all a bad name overseas."

He said that the problem appeared to be that when Britons got into trouble abroad they did so to a worse degree than other nationalities.

"There is a clear relationship betwen excessive drinking and bad behaviour," he added.

However, the Government has no plans at present to take radical action to curb the problem.

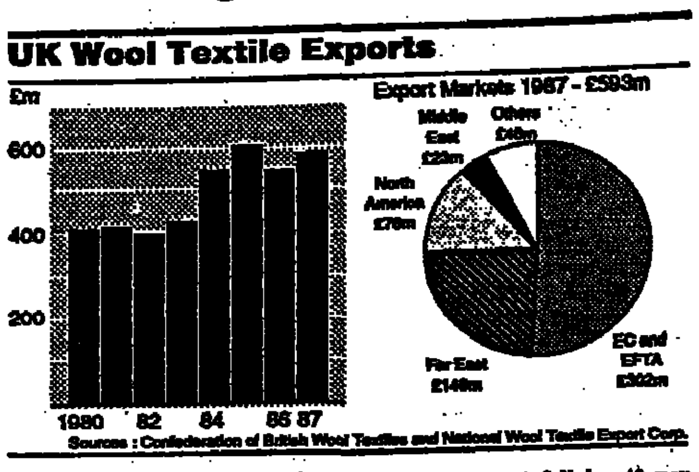
Wheel of fortune spins for wool textiles

Alice Rawsthorn finds a brightening mood among mill owners

MR COLIN LAWTON can scarcely believe his luck. In the early 1980s he battled, alongside the rest of the wool textile industry to keep his family business afloat. But for the past year the only battle at his mill in Huddersfield, Yorkshire, has been to satisfy demand.

After a year of "crazy overtime", Mr Lawton is investing £4m to move to a new mill with modern machinery and extra capacity. The investment will enable his company, Fred Lawton, a carpet yarn spinner, to take full advantage of its bulging order books.

UK Wool Textile Exports



Sources : Confederation of British Wool Textiles and National Wool Textile Export Corp.

Other areas of the £1.5bn wool industry are every bit as buoyant as carpet yarn spinning. But Fred Lawton is an exception in that it is one of the *few* companies prepared to invest in expansion.

The industry, based in Yorkshire and the Scottish Borders, is enjoying a period of prosperity after the devastation of the early 1980s. Wool textiles entered the recession burdened by antiquated equipment and inadequate investment. The restructuring since the recession has made it markedly more competitive.

The weakest companies perished in the early 1980s and much of the industry's surplus capacity disappeared. In 1970 there were 20 weavers of fine worsted cloth in Huddersfield; today there are three.

The survivors have invested heavily in automation. Wool textiles tends to conjure images of dark satanic mills straddling the Yorkshire landscape. Today's mills may not be as highly automated as their Italian competitors, but the industry can claim impressive improvements in productivity.

Moreover, wool textiles has benefited from the increase in disposable incomes and the propensity of consumers to treat themselves to more expensive products like wool carpets and worsted suits. As a result the industry is now in its fifth successive year of rising output.

The weakest sectors – handknitting and acrylic spinning – have been affected by problems isolated to their areas of activity. Handknitting is suffering from a worldwide slump in sales. The acrylic spinners are experiencing a downturn due to poor demand from their customers in the depressed knitwear industry and to a sudden surge of cheap imports from Turkey and Mexico.

Both sectors have been embroiled in cuts and closures. But the restructuring of the 1980s has helped the mills to mitigate the worst effects of the slump.

Sirdar, one of the largest handknitting companies, has seen its output fall by 40 per cent since early 1986 and has reduced its workforce by 300 to 900. Yet Mr Gerry Lumb, managing director, says that its profit margins – once over 20 per cent – have been held at 10 per cent. He attributes this to the investment that doubled Sirdar's productivity in the five years before the slump.

At the start of this year the spectre of a slump spread to the rest of the wool industry thanks to the uncomfortable combination of rising raw material prices and an erratic exchange rate.

The price of wool has risen rapidly in the last year. The finest wools have doubled in price and the price of standard wools has risen by at least a quarter.

This problem has been compounded by the strength of sterling. A rising pound augurs *ill for an industry that sells* nearly half its production overseas. Given that the US is not a major market, the chief concern was Europe, which bought half of the industry's £593m exports sold last year.

As autumn approaches the mood of the industry is visibly brighter. The rise in the wool price has had little effect on the pattern of demand. The luxury worsted weavers are busier than ever. The mainstream weavers – such as Parkland and Jerome – have tactically switched to blended cloths in order to counter higher wool prices.

The only weak area of weaving is in woollen cloth, where the wool price rise has been exacerbated by the change of *fashion* away from heavy cloths. But most of the UK's woollen cloth capacity disappeared in the recession.

Similarly, overseas sales are growing despite the strength of sterling. The industry has been helped by the rise of the Yen in the important Japanese market. Mr Russell Smith, chairman of Allied Textiles, says that it is still experiencing healthy export growth.

The wool industry – hand knitting and acrylic spinning apart – has thus emerged unscathed from the first half of a bruising year. Its resilience suggests that the restructuring of the early 1980s has wrought genuine improvements and has left the wool companies better able to compete with world markets.

But the industry still bears the scars of the early 1980s when, in the words of Mr Alistair Henderson, president of the Confederation of British Wool Textiles, it was "shat*tered and* battered" by recession. And there is still no sign that the woollen mills of Yorkshire and the Scottish Borders have summoned the confidence to expand again.

Cutting equipment in use after dark

Gatwick's army surfaces only after nightfall

By Michael Donne on runway repairs

EVERY weekday betweeen 10.30pm and 6am, an operation of almost military precision occurs at Gatwick Airport, south of London.

The 10,300-foot main runway is being resurfaced for the first time since 1972. It is the airport's only runway and has taken a beating in recent years as aircraft movements have steadily risen to reach the present 180,000 a year.

Not only is the runway being resurfaced, at the rate of over 200 feet a night, it is also being thickened. This will strengthen it for the heavy airliners, such as Boeing 747 Jumbo jets and McDonnell Douglas DC-10s, which are increasingly using the airport, with the likelihood of even heavier aircraft to come, such as 747-400s and McDonnell Douglas MD-11s.

A rapid exit to the runway is also being built at the western end, with a manoeuvring area, called a "super fillet", installed at the east. Lighting is also being improved to bring the runway up to the international standard, known as Category IIIB, necessary for full automatic landings in bad weather.

The £6.5m resurfacing programme is being carried by ARC, the civil engineering company, under contract to Gatwick Airport, which is now a wholly owned subsidiary of the privatised BAA, formerly the British Airports Authority.

By day, while the army of workmen sleep, materials and supplies for the next night's operations are moved on to the site on the southern side of the airport and more than 50 earthmoving, grading, digging and other vehicles are serviced.

Everything has to be ready for the start of the night's work precisely on schedule. The airport must remain fully operative while the work takes place even though there are fewer flights during the night hours.

As 10.30pm approaches, the operations controller drives down taxi-way 1 north of the main runway to check that it is clean and its lights fully functioning. This will be used for landings and take-offs throughout the night while the main runway is shut.

When he is satisfied, he gives the all-clear to the air traffic controllers in the airport tower. They inform all inbound aircraft and those still waiting for take-off that the runway is about to be changed.

The main runway lights are turned off, its exits sealed off, its instrument Landing System switched off, and the army of workers and their equipment drive on to it to start work.

The temporary additional lighting installed on taxi-way 1 is turned on, and aircraft are directed on to it.

Each night more than 200 feet of asphalt and concrete on the main runway is dug up to a depth of three feet and removed. A four-foot thick surface of extra-strong asphalt is then laid.

A small ramp is built at the junction between the new runway and the older asphalt of the next section to be worked on, so as to ensure smooth landings and take-offs. That ramp has to be removed again every night before the next runway section can be dug out and resurfaced.

As the morning deadline approaches the workers clean the site, remove their vehicles and return the runway to full duty. Not a minute can be wasted through the entire operation lest the work interrupt busy flight schedules. The workers are meticulously briefed daily on their tasks so that no time is wasted.

The resurfacing operation has been in progress since the middle of March and will be completed by the end of October. After a further two weeks or so to check it over and clean up, the contractors will hand the improved main runway back to Gatwick Airport by mid-November, with taxi-way 1 reverting to its normal role.

By working at night, there is minimum disruption to the airport's activities, and over 6,300 aircraft have been handled on taxi-way 1 while the work has been progressing.

The experienced gained in the task is already paying off, for BAA is now able to offer other single-runway airports worldwide its expertise in planning and conducting such operations.

Training for quality manufacture

Why Ford is hooked on playing games

Michael Skapinker reports on the use of interactive video

Tony Lewis began his working life in the 1950s as a teacher in the north London suburb of Tottenham. He had 42 low-achieving pupils in his class. He so disliked the job that he abandoned the profession after just a year to go into industry.

He could not have imagined then that one day he would return to a senior position in education – this time with responsibility for more than 60,000 students.

Lewis is now in charge of the training and education of all manufacturing staff employed by the Ford Motor Co in Europe. Over the next couple of years he intends to put all 60,000 of those hourly-paid employees, as well as 20,000 salaried staff, through a training programme aimed at improving the quality of the vehicles Ford produces.

For a man who detested teaching, Lewis shows remarkable enthusiasm for the project. But then the programme does not require him – or any of his charges – to go into a classroom. Instead, employees at the company learn about quality at their place of work, by playing an elaborate computer and video game which can last up to ten hours.

The technology used in Ford's training is interactive video – a video disk controlled by a computer. The user of an interactive video system settles down in front of a screen to watch a performance from a group of actors, interspersed with graphics. Unlike an ordinary video, however, the system requires some participation from the viewer.

Users of the system are asked to make choices and decisions, which they enter on a computer keyboard. The interactive video system then either congratulates them on a correct answer or explains to them why they might be wrong and suggests they try again.

In the Ford video we are introduced to a manufacturing company in trouble. It is losing orders because of the poor quality of its products, which appear to be spark-plugs.

Tony Lewis: faced with the educational equivalent of painting the Forth Bridge

We watch senior managers on screen discussing what should be done about the problem. About 5 per cent of the company's products are rejected on quality grounds. One of the managers argues that this is an acceptable level of rejects. Others disagree.

While we are watching them argue, we are suddenly asked what we think. Is a 5 per cent level of rejects acceptable? It is not, of course, and when we say so, via the computer keyboard, the narrator of the video commends us for our insight, as he does when we disagree with the view that the company should not worry about losing 10 per cent of its sales.

If, on the other hand, we answer one of the subsequent questions by saying that it is not important for companies to find out what their customers want, the narrator tells us, more in sorrow than in anger, that he thinks we are wrong.

Alongside the story of the struggling company is a more conventional video game. After each series of questions, our "score" flashes up on the screen, accompanied by joyous music when we do well and a mournful dirge when we do badly. What the system aims to achieve, Lewis says, is "the space invaders syndrome. Once they start, people get hooked."

The programme consists of five video disks. It sets out to persuade employees of the importance of quality. It argues, too, that it is better for each employee to ensure that his or her own work is free of defects than to have quality inspectors at the end of each production line rejecting work which is not up to standard.

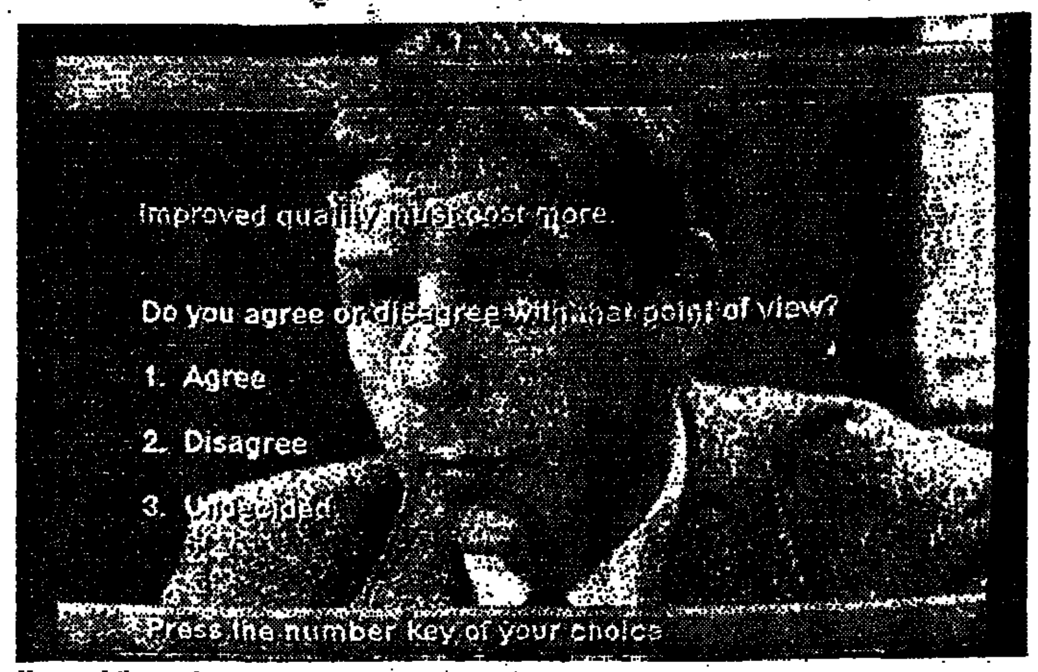
Subsequent disks help employees to learn the principles and application of Statistical Process Control. SPC is a method whereby employees measure aspects of the production process and plot the results on a graph. This enables them to identify the points at which quality standards are not being adhered to. It also allows them to take corrective action themselves.

For example, the door panel of a car might have to have a hole punched in it at a particular point in the production process. A shopfloor worker would measure the position of the hole on the panel and record the results. Any upward or downward movement in the line on his graph beyond the prespecified limits marked on his chart would alert him to the need to make the necessary adjustments.

The idea that each worker should be his or her own quality inspector is not particularly new, although Japanese companies adopted it far earlier than western ones did. Nor is there anything novel about the statistical approach to quality.

What is new, Lewis argues, is the technology which enables every employee to learn the techniques. In the past, Ford relied on traditional methods to teach SPC. In 1985 and 1986, for example, Lewis put about 500 Ford Europe managers through a five-day classroom-based course in SPC.

"It did not achieve what we wished to achieve," he says. "Don't get me wrong. It wasn't a waste. We enlarged their perceptions, we increased their skills, but not to the standard we wanted to achieve. And most important of all, there was no way that we could replicate that programme down the line."



Users of the system are asked to make decisions which they enter on a keyboard; the system then either congratulates them or suggests they try again

To train the entire workforce this way would have been an endless task, "the educational equivalent of painting the Forth Bridge." Apart from any other consideration, there were not enough capable instructors available.

Lewis asked three of his staff to investigate the methods that could be used to educate a workforce the size of Ford's. They looked at computer-based systems and at conventional training videos. The former did not appear to be exciting enough; the latter required instructors to talk to employees about the consequences of what they had seen on film.

After nine months, they recommended that Ford invest in interactive video. The advantage of such a system, Lewis says, is that employees can work on their own and at their own speed. If they have difficulty understanding or remembering the concepts, they can go back and have another look at them.

"You always know in any classroom that there are questions that are not asked because people are too embarrassed and scared. With this system, you can be as brave as you like or as stupid as you like and nobody's ever going to know," he says.

Because interactive video systems can be used at any time of the day or night, large numbers of employees can gain access to it. Systems can be installed at the workplace rather than at a training centre, so that staff do not have to leave the production line for extended periods.

Lewis argues that this enables line managers, rather than the personnel department, to take responsibility for employee education.

Interactive video does have one major disadvantage, however: it is expensive to produce. The company spent about £650,000 developing its five disks. The Department of Trade and Industry contributed another £150,000. In addition, the three Ford researchers were seconded to work with an outside production company for two years to help to develop the programme.

The company Ford turned to was Futuremedia, which had already produced an interactive video programme for Lloyds Bank. Futuremedia's brief was to come up with a product which could be used by other companies too. Ford wanted to be able to sell the programme to its 1,500 suppliers in Europe. It also wanted to be able to sell it to companies outside the motor industry. With this in mind, the programme draws its examples from a variety of industries.

So far, companies like Kodak; ICI, the British chemicals group; GKN, the UK engineering group; and J.C.Bamford, the earth-moving equipment maker, have bought the programme, which costs £9,450 per set, including hardware and software.

Ford's suppliers get it at a reduced rate. Frederick Dixon, managing director of Gill's Cables, which manufactures cables for Ford and other automotive companies, denies that there is any pressure on suppliers to buy the programme.

At his company, he says, the programme has already increased employees' interest in their work. "Let's face it, it's very soul-destroying doing the same thing over and over again for eight hours a day. It's important that you have a system in which people are interested. What we're finding now is that we're getting discussion (about quality) on the shopfloor," he says.

At Ford itself, Lewis says all UK employees will have completed the programme by the middle of 1989. Some employees on the continent have begun using the English-language version, but German and Spanish versions will be ready by the middle of next year.

By the end of next year, too, every Ford employee should, he says, be no more than five minutes walk away from a workplace "open learning centre". Apart from the SPC interactive video programme, the centres will have software enabling employees to learn everything from how to read financial statements to how to manage stress.

Ford is negotiating with local colleges which will be paid to run the centres and provide tuition. The centres could, he says, even be opened to the local community.

"So much education and development is increasingly taking place in industry. If you're not in work, you have no access to the type of knowledge and skills to get you into work. That's something we're looking at as well," he says.

Secondment – a two-way process

Hazel Duffy explains that big companies and the community can both benefit

Jill Fowler would like to be able to select the 10 high-fliers with the greatest potential in the Prudential and send them out for a spell to work in the community. "They are the ones who would benefit most," says the head of the insurance group's secondment unit.

She will not get them all. Those companies practising secondment stress that it is voluntary for their staff. But as work in the community is increasingly being seen by enlightened companies as a management development tool, she might at least find one or two coming forward.

One of the biggest secondment programmes is run by Barclays Bank – around 100 staff will be involved this year at a cost to the company of around £2.4m. It tends to concentrate on putting people into community jobs in areas of high unemployment. Some are seconded to local enterprise agencies, where they meet local businessmen.

Younger staff are sometimes nominated by their managers, who recognise the benefits to the bank as well as to the community and the individual. About half, however, are coming up for retirement. For them, secondment is seen as a valuable bridge between work and retirement. They are most likely to go to charities, which need financial and administrative expertise, and frequently stay on after retirement.

Marks and Spencer prides itself on its approach towards helping the community. The retailing group's high public profile leads to thousands of applications pouring in to the community affairs department for assistance. The company's commitments mostly fall within job creation, youth training and education, and charitable organisations.

Community work is considered sufficiently important to warrant regular attention from five main board directors, who are supported by three specialist committees each chaired by a board member.

Current secondees include a store personnel manager working for Childline, and the former manager of the Middlesbrough store who is running Business in the Community in the North East, where he will stay after he retires.

Marks and Spencer sees secondment as valuable before retirement, and for people in mid-career, who want a change before returning to their jobs. This year, the company plans six shorter term periods for young high-fliers, and is considering using part-time secondments for this type of employee.

IBM was one of the first big companies to get involved in the community. Like Marks and Spencer and the Prudential, it advertises all community vacancies.

Most are at the middle stage of their careers. Ann Skey, community relations adviser, thinks that every employee would benefit from some time in the community, particularly in a company which recruits young and promotes from within. The high-fliers are reluctant to give more than six months, which is enough for some projects. Other projects require that period just to get started – for these, 18 months to two years away from the company is a must.

Big companies mostly carry out their secondment policies according to codes based on that drawn up by the Action Resources Centre and the Institute for Personnel Management. Good secondments are advertisements in themselves when people return to their companies. It pays to fit the employee to the job in the community, for the company, the organisation and the individual.

Increasingly applications are coming from staff in their 30s and 40s. They are not necessarily looking on secondment as a route to promotion, but more as an enriching experience for somebody who is unlikely to go up in the company.

With pre-retirement placements, these form the majority of secondments. But the development of secondment as part of the young employee's training is potentially the most far-reaching for the company. As the Government increases its moral pressure on business to be involved in the community, companies will be looking more and more to see what they can get out of the secondment process.

Public Notices

SCOTTISH DEVELOPMENT AGENCY GLASGOW GARDEN FESTIVAL 1988 DISPOSAL OF BUILDINGS AND EFFECTS

The Glasgow Garden Festival will close on 26th September 1988. The Agency is responsible for the dismantling and disposal of various assets from the site. Applications are invited from interested parties wishing to tender for the purchase and removal of effects from the Festival site. The main items comprise temporary buildings and structures, seating, signage, play equipment, water features, marine landing stations, sundry building and engineering materials, and other selected items.

Tender documents will be available by early September. It is anticipated that works will be undertaken during October/November. Written applications should be received no later than 5 September 1988.

Applications to: Duncan Harvie, Senior Project Manager, Scottish Development Agency, 120 Bothwell Street, GLASGOW G2 7JP

Legal Notices

BANQUE DE CREDIT INTERNATIONAL, GENEVE, EN LIQUIDATION CONCORDATAIRE

En vue de la distribution d'un septième et dernier dividende de 0,39 %, le Tableau de Distribution est déposé aux adresses suivantes :

à Genève : - au Greffe de la Cour de Justice et

- chez Deloitte Haskins + Sells S.A., 13, route de Florissant, 7ème étage, 1206 Genève (prière de prendre rendez-vous par téléphone 022 47 08 02, interne 32)

à Londres - chez Deloitte Haskins + Sells 128 Queen Victoria Street Londres EC4P 4JX.

Vu l'article 38 OTF, ce dépôt s'effectue pendant vingt jours, délai au cours duquel les créanciers peuvent prendre connaissance dudit tableau et, le cas échéant, former une plainte auprès de la Première section de la Cour de Justice civile de Genève, autorité de concordat.

En raison de la fin prochaine de la liquidation, les créanciers n'ayant pas reçu les dividendes mis en paiement selon les Tableaux de Distribution précédents sont priés d'en informer sans délai la liquidatrice.

Genève, le 24 août 1988

La liquidatrice :
DELOITTE HASKINS + SELLS S.A.

A.C. EGERTON (HOLDINGS) LTD

Notice is hereby given that:

1. At an Extraordinary General Meeting of the above company duly convened and held at Murray Road, Orpington, BR5 3QU, on 19th August 1988 special resolutions were passed that the terms of 3 proposed contracts for the payment of £235,100 out of capital for purposes of acquiring 2351 ord. £1 shares of the Company by purchase were approved and the Company was authorised to fulfil all obligations of the Company thereunder.

2. The statutory declaration of the directors and auditors report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at Murray Road, Orpington, BR5 3QU.

3. Any creditor of the Company may at any time within the 5 weeks immediately following 19th August 1988 apply to the High Court of Justice for an order prohibiting the payment.

On behalf of A.C. Egerton (Holdings) Ltd

Clubs

Company Notices

BANK HANDLOWY W. WARSZAWIE S.A. USD 1.000 - 1979-1989 fluctuating rate bonds AMENDING NOTICE

to July 8 1988 (International edition page 9) UK edition page 16

Read: Series 24.118 to 28.367
28.719 to 29.230
14.786 to 14.873

Presentation terms of the files unchanged, deposit deadline : September 26, 1988.

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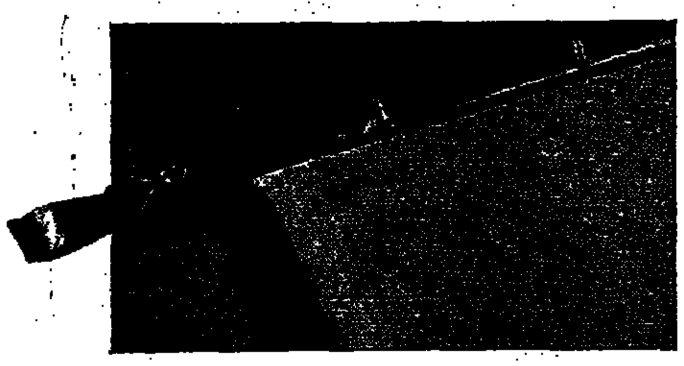

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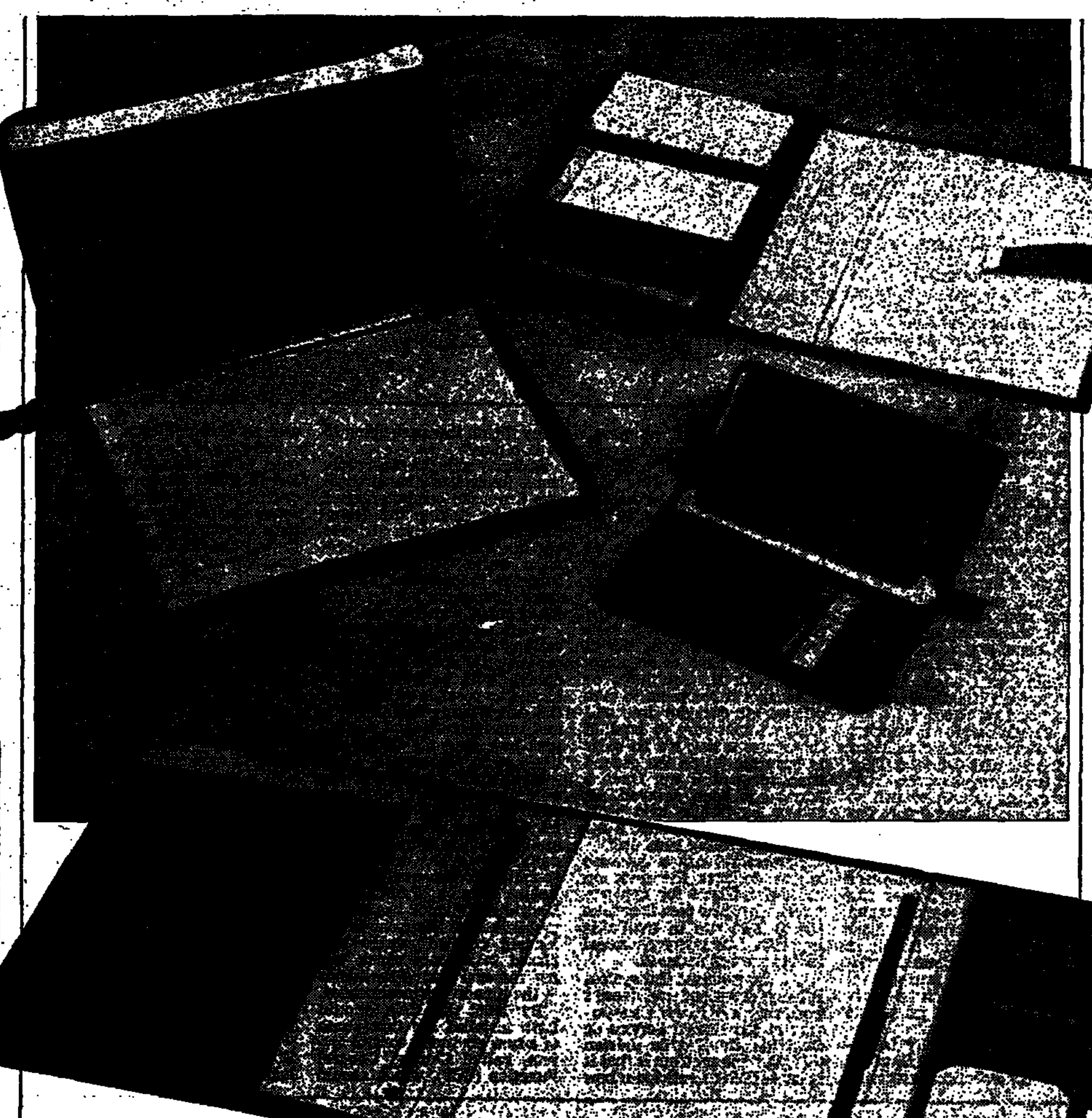

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PIPS	07663	2195	Personal Investment Portfolio, simulated black leather	£43.70	£48.00	£32.65	£31.95	£30.55	£29.45	
TOL	07675	2200	Travel Organiser, black leather	£71.58	£67.25	£56.60	£55.35	£52.90	£51.05	
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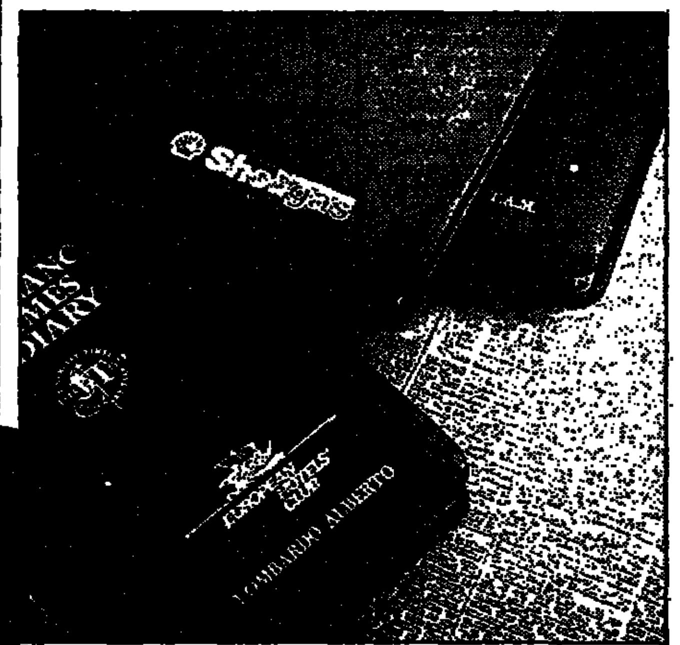

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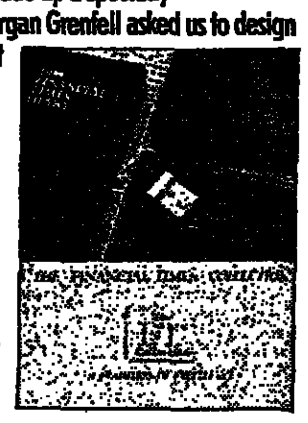

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The tortuous route to harmonious flight paths

If computers clear congestion in the sky, the next problem will be on earth, says **Paul Abrahams**

The good news is that the air traffic control problems in Europe are soluble. The bad news is that when they are solved the consequent increase in traffic will overwhelm Europe's airports. Flight delays are here to stay.

The success of the air travel business is straining its infrastructure. The International Air Transport Association (Iata), based in Geneva, estimates that the number of air movements over Europe during the first six months of this year increased by between 10 and 14 per cent compared with the same period last year. The growth in the number of flights handled by France was twice that expected.

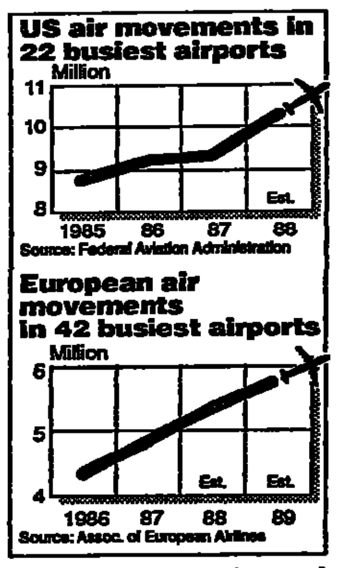
Keith Mack, the controller, national air traffic services, at the London-based Civil Aviation Authority, explains that the situation is made worse because growth has been concentrated in certain places. "The problem is not the overall increase but the peaking," he says. "Specific routes at specific times have seen colossal problems. This year, at weekends, some of the holiday routes to the Mediterranean have seen increases of 20 to 30 per cent."

The result has been an alarming rise in the number of *delays at European airports*. The Association of European Airlines estimates that the number of flights delayed because of congestion has trebled in the last two years.

The chances are that the problem will get worse before it gets better. Iata believes that the number of scheduled flight movements over Europe will increase by an average of 7 per cent annually over the next four years.

Detlef Winter, West Germany's director general of civil aviation, says that, in the medium term, there are two main avenues to follow. First, national air traffic control organisations must improve and co-ordinate their hardware and software. Second, an effective air flow management system has to be implemented.

"We have a mosaic of 22 national systems. Each country has different hardware systems with varying capacity and quality. Some of the bits don't fit and rob you of capacity. If the capacity is different between one country and another, the aircraft has to go at the rate of the slowest."



Iata estimates that the existing systems are only operating at 80 per cent of potential capacity.

Bottlenecks are a particular problem in southern Europe during the summer. Spain's nine airports, for example, have to deal with jets coming in from 50 sites in northern Europe.

Mack is about to take over the command of Eurocontrol, which handles European flights over 30,000ft. He says the co-ordinating body will help national organisations integrate their planning and acquisition of hardware.

"Eurocontrol will be able to identify where systems fall down," says Mack. "It should also be able to help with resources, procurement and research."

Individual national bodies are planning to bring in systems which should go a long way towards solving capacity problems. These do not come cheap, however.

The CAA will install an IBM 4381 computer in 1990, at a cost of £22m, as part of a £250m five-year plan to upgrade air traffic control in the UK. By the end of the century, the CAA estimates it will have spent about £600m.

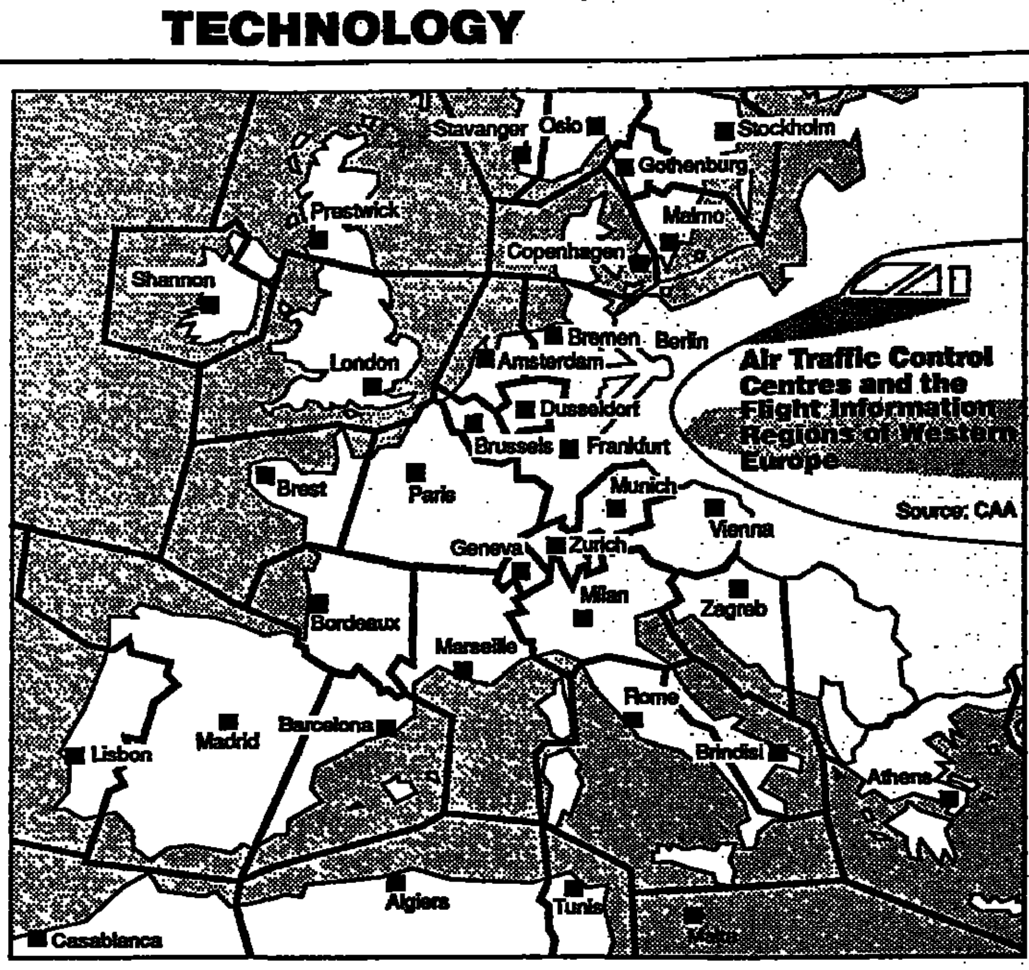
The computer is similar to the one included in a $3.6bn contract recently awarded to IBM by the Federal Aviation Authority (FAA) in the US. The CAA hopes that installing a proven system will reduce the risk of hardware failure.

The UK system will be integrated with neighbouring centres in Maastricht, Brest, Paris and Reims, and has scope for further links. It will also transmit information about the aircraft's identification, speed, height and radar code.

It should improve capacity, as well as providing facilities for faster radar data and flight plan processing, says the CAA. This means controllers will be able to handle safely more aircraft flying closer together.

Robert Adderley, business development manager at SD-Scicon, the UK computer systems company, says the problem is more one of human capacity than limits on air space. He says the long-term answer will be found in software displaying four-dimensional images, which not only works out where a jet is, but also where it will be.

"At present capacity is limited by the mental skill of air traffic controllers in assessing future positions," he says. "Future software developments will display potential conflicts before they occur. This will allow capacity to be safely increased and delays to be reduced."



The second main area of investment – air traffic flow management – is also being tackled by the national bodies.

"Flow control is one of the main causes of delay," says Mack. "Once an aeroplane is in the air you have to do something with it. You have to check that it has room to take off, an air corridor free and finally somewhere to land. If there isn't a slot, it's far safer to keep the jet on the ground than to send it up. Once a flight has been delayed, its return leg is also held back, and once that is repeated a few times, everything jams up."

Eurocontrol has a database which collates the data on scheduled flights for any particular day. The idea is to plan the fullest use of available capacity. But many chartered flights are not included.

"At the moment the system is being developed and doesn't work very well," says a spokesman at the French Service de Contrôle du Traffic Aérien (SCTA). "The problem is that it is impossible to anticipate how many flights there are going to be in a day."

Adderley says the main problem is the lack of a comprehensive European computer-based system for linking the departure and destination airports via air traffic flow management units. So the system becomes blocked not by airspace limitations but by communications constrictions.

"With an effective communications system, the available capacity will not be wasted and delays will be reduced. It should be possible to tell when the delays are going to occur and inform crews and passengers how long the delays are likely to be," he says.

Meanwhile, much of the communication between national air traffic control bodies is by telephone and efforts are being made to upgrade liaison. However, even the so-called conference hot-line, linking London, Paris, Rome, Madrid and Munich has had its problems. The telephone in the Madrid control centre was placed in a room which was not manned during weekends – the time it was most needed.

By 1990, the CAA should have installed the first phase of a new air traffic control system, called Central Control Function (CCF), which should ease air flow problems.

Software is also being developed which will allow controllers to adjust the speed of aircraft to manipulate the sequence of arrivals. Rather than travelling at full throttle for most of the flight and then stacking up over the airport, aircraft would travel more slowly but then be able to land as soon as they arrived.

Adderley believes that, by the 21st century, computers on aircraft will be linked to ground-based machines via satellite and radar.

"In the short term, however, it's a question of looking in every nook and cranny for gains in capacity," says David Kyd, a spokesman at Iata.

Short-term palliatives include:

- More controllers. France has recently recruited 80 extra people. However Germany, which will lose 40 per cent of its staff through retirement by 1990, is training far fewer.
- Increasing the amount of work each controller gets through by improving working conditions and encouraging overtime.
- Breaking airport curfews. The issue is politically delicate – a spokesman for the French SCTA says that there is a revolution each time an airliner takes off or lands at a French airport during the curfew.

However, Iata points out that, at present, aircraft benefiting from tail winds when crossing the Atlantic have to circle if they arrive before the airport is open in the morning. The authority says that landing aircraft usually have their engines almost shut off and that modern jets are much quieter than earlier models.

- Reorganising the relationship between civil and military airspace. In France, 40 per cent of air space is controlled by the military, while in Germany almost all north-south traffic has to pass through a corridor between Frankfurt and Munich, called upper blue one, to avoid Nato aircraft. In the UK, flights from Manchester to Brussels are unable to fly over East Anglia, the straightest route, because the area is controlled by the Ministry of Defence.
- Reducing the number of small aircraft at major airports. Light aircraft need more space than large ones because they are more likely to be affected by the air wash.

However, even if Europe does clear congestion in the air, there is no guarantee that airport chaos will disappear.

"The US has more or less solved its air traffic control problems," says Winter. "It is a single country, has no extra languages to deal with and can adjust its traffic flows because it has little problem with military airspace. Nevertheless, the US is still in difficulties.

"If in the short term Europe's problems are navigational, in the long term they are with the airports. Airports have a finite capacity.

"What's more, the situation will be exacerbated by liberalisation which will increase the number of air movements," he says. "People will be flying in smaller, less powerful aircraft which take longer to get away from the airport."

Winter points out that when the route between the UK and the Netherlands was deregulated, there were 40 additional flights a week and a 59 per cent increase in traffic.

Technology may marginally increase the capacity of airports. For example, microwave-based systems will enable aircraft to approach airports on curved landing patterns, rather than getting into a time-wasting queue.

However, Adderley believes the main alternatives are to build more airports and examine the possibility of using military airports for civil landings.

WORTH WATCHING

Edited by Geoffrey Charlish

Long distance calls disallowed

A TELEPHONE system from Panasonic of Japan, offered in London by Ansamatic, provides a remedy for those escalating bills caused by mysterious calls to remote countries.

The new A Series exchange allows each of the extension handsets to be locked by dialling a secret personal identification number. It is punched in whenever the phone is left unattended, preventing anyone else from making a long distance call on it.

The exchange has most of the facilities associated with small modern exchanges and can provide up to eight incoming lines and 24 extensions.

Kinder harvest for root crops

DAMAGE to root crops during harvesting and processing can be reduced using a material called Soft Landing, made by Adcops of Huntingdon in the UK.

The product consists of foamed PVC (polyvinyl chloride), with a woven nylon cloth laminated to it and a final coating of clear PVC. In tests at the Scottish Centre for Agricultural Engineering, the material was glued to steel plates for quick installation and removal.

Soft Landing can be used, for example, on plates under short drops on machines, and for chutes and skirts.

Coating the hidden areas

MCP Equipment, of the UK, is offering a system that will coat out-of-sight areas – such as the interiors of pipes, cylindrical containers and hollow castings – with protective metals like zinc and aluminium.

An electric arc spray gun is used with a 90 degree nozzle, at the end of a rod up to 8ft long. MCP says that dense coatings that adhere well can be applied.

CONTACTS: Ansamatic: London, 446 2451. Adcops: UK, 0487 830830. MCP Equipment: UK, 0785 815651.

THE PROPERTY MARKET

Government broom set to sweep up

Paul Cheeseright reports on the implications of likely changes in accounting standards

The British Government has started to nibble away at the financing practices of property development companies it does not find to its taste. Its method is to demand changes in accounting practices.

This has caused divisions in the property industry. The British Property Federation set up a committee to determine its view on proposals for new accounting standards but found its members split between those who wanted a system which made off-balance sheet financing easy and those who *did not*.

The next Companies Bill, which will probably come into effect in a couple of years, will change the rules about subsidiaries and about what needs to be consolidated in a company's accounts.

A subsidiary company now is one where the parent has 50 per cent or more of the equity capital. An associate company is one where the parent has between 20 and 50 per cent. Under the new rules a *subsidiary* will be a company where the parent has more than 20 per cent and where the parent exercises a "dominant influence". In theory that would sweep into parent company accounts the financial activities of those associate companies which at present are off the parent's balance sheet.

Company accounts now are supposed to reflect "a true and fair view" of a company's finances. But they do not always do that and the Government's move on subsidiaries is an attempt to reinforce a jaded concept.

The form among property development companies has been to devise methods of development financing which keep heavy liabilities off the balance sheet, although these liabilities might be covered in notes to the accounts.

The way this is done is to establish a new company to develop a property; the parent could have equity of between 20 and 50 per cent and other shareholders would be drawn in. The new company raises the finance, often on a limited recourse basis. That effectively means that, if the project fails, the company can walk away and the banks are left holding it. Because the company is an associate of the parent, its affairs are *off the parent's balance sheet*.

The new legislation is not aimed at stopping this sort of practice which, after all, is a device to spread risks and to share rewards. It is aimed at making absolutely clear the extent of a company's liabilities.

Although new accounting rules will apply to all companies, there are two reasons to think that the Government had property companies partly in mind when Mr Francis Maude, the Corporate and Consumer Affairs Minister, gave advance notice of what will be in the next Companies Bill.

The first is to try to throw light on the obscurity of some property company accounts. "Property company financial statements are not as informative as they could be," John Mellows and Kim Hudson of accountants Neville Russell, have written*.

"Companies in similar types of business within the property sector adopt widely differing policies which makes comparability difficult. In some cases property companies are mysteriously silent on many matters that could be regarded as fundamental to an understanding of the business' performance," they commented.

The second is the concern of the Government and the Bank of England about the explosion of bank lending to the property sector. There is fear that not all of this lending has been made along the most prudent lines.

Underlying this concern is the memory of the lending explosion of the early 1970s and the subsequent property crash. Fuller and clearer disclosure of an exact level of gearing might act as a deterrent in some marginal schemes.

Consolidation of interests in a company's *accounts could also have an* effect on share prices. Perceptions of a company's worth and prospects could well change if the full extent of its gearing were to be made readily apparent. But the effect of changed rules for consolidation has not yet been fully assessed by brokers' property analysts.

To be sure, these are early days and there will be much debate before the provisions of the new Companies Bill are drawn up. It is not only the Government that is involved; the Institute of Chartered Accountants' Accounting Standards Committee will be drawing up the technical rules to run in parallel with the legislation. The key document here is Exposure Draft 42 and it is this which has caused the arguments inside the British Property Federation.

Traditionally, the big property investment companies like Land Securities, MEPC, Hammerson, British Land and Capital and Counties have kept their borrowings on the balance sheet. Their financial muscle has been such that they have not needed to worry about spreading risks. But there is a new generation of development companies – Greycoat, Rosehaugh, Stanhope Properties and Speyhawk, for example – which has branched out into forms of financing that could be caught up in the new regulations.

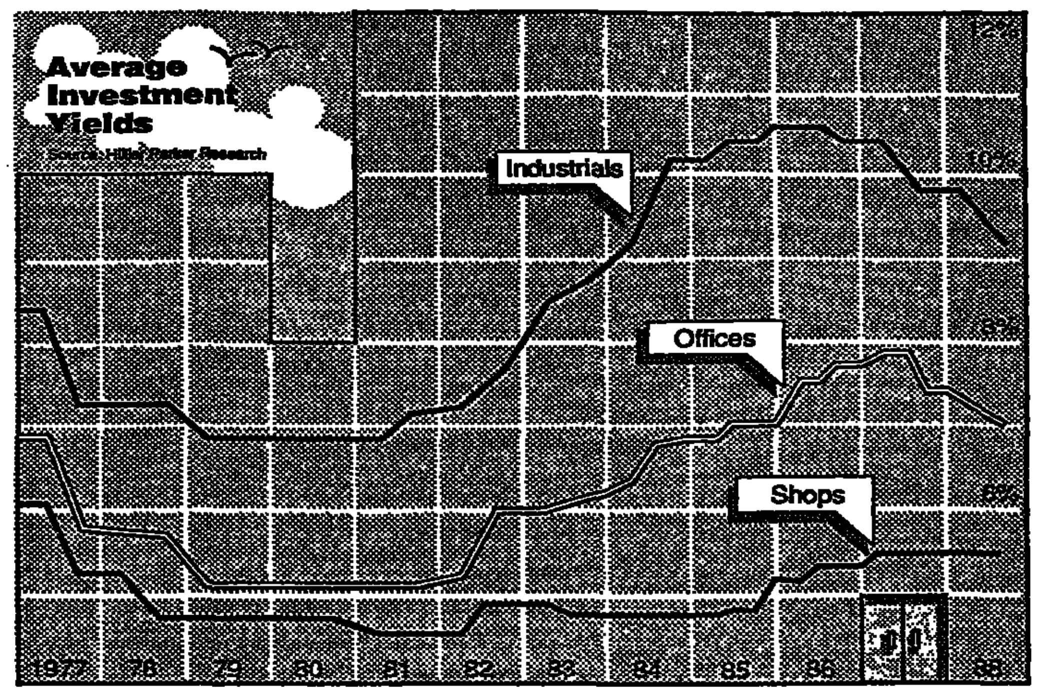
There is general agreement among property companies that more thought needs to be given by the Accounting Standards Committee to the question of joint ventures and partnerships.

The difficulty here is what is meant by the key words "dominant influence". There could be three parties to a joint venture, equally sharing the risks and rewards. "You could end up with three *partners each having to bring assets* and liabilities on to the balance sheet – which is a nonsense. There would be double accounting all over the property business," says Norman Brown, the financial controller at Greycoat.

But it is not this sort of operation that the Government appears to be worried about. A sharp distinction is drawn by Ray Hinton of Arthur Andersen, the accountancy practice which handles Rosehaugh, the development company which has more off-balance sheet financing than any other. The distinction is between the genuine joint venture and the fabricated joint venture.

The genuine involves risk and reward sharing. The fabricated involves the sort of arrangement where a company spins off a unit which technically and legally it does not control but from which it would take the lion's share of the profits. "Where a joint venture is genuine, the accounting will not change. It will only change if there is an element of artificiality," Mr Hinton says.

**Financial Reporting 1987-88, a survey of UK reporting practice; Institute of Chartered Accountants; 1988.*



Yields from offices falling in the north

Investors trying to latch on to the property boom before it finally bursts are having to pay more for their earnings than at any time since 1985. The latest figures from Hillier Parker, chartered surveyors, provide additional evidence of the strength of the market.

Although the yields on retail property have started to rise again, they are falling for industrial and office property.

The sharpest falls in yields have been taking place in the less fashionable investment areas as interest has spread from town centres to suburbs and from the south-east outwards. Office yields in Bootle, for example, have fallen to 11.5 per cent from 13 per cent in the past three months, and in Middlesbrough to 11 per cent from 12 per cent.

The movement in the market suggests that if there are two Britains, the dividing line is no longer from the Severn to the Wash but from Merseyside to Humberside. Rental growth, present throughout the country and in all sectors, has been perceptibly slower in the north than elsewhere.

International Property

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
26	27	28	29	30	31	1

MUSIC

London

National Youth Jazz Orchestra, conducted by Bill Ashton and Paul Hart, with John Williams (guitar). Royal Albert Hall (Mon). (589 8212).
Leipzig Gewandhaus Orchestra, conducted by Kurt Masur. Beethoven. Royal Albert Hall (Tue). (589 8212).
Leipzig Gewandhaus Orchestra, conducted by Kurt Masur with Peter Rosel (piano). Mendelssohn, Rachmaninov and Strauss. Royal Albert Hall (Wed 7pm). (589 8212).
Tallis Scholars, conducted by Peter Phillips. Alonso Lobo, Juan Gutierrez de Padilla and Victoria. St. Paul's Church, Knightsbridge (Wed, 10pm). (589 8212).
BBC Symphony Orchestra, conducted by Marek Janowski, with Lydia Mordkovitch (violin). Wagner, Szymanowski and Brahms. Royal Albert Hall (Thur). (589 8212).

Paris

Susan Landale, organ. Olivier Messiaen, Bach. Saint-Germain-des-Près Church (Mon 8.30 pm).
Quator Carmina. Peter Wettstein, Mendelssohn, Schubert. Auditorium des Halles (Tue 7 pm).
Concerto Armonica Ensemble. Bach choir from Anvers, conducted by Michael Scheck. C.P.E Bach's Saint Mark Passion. Saint-Sèverin Church (Wed 8.30 pm).
Nagoya Philharmonic Orchestra, conducted by Jun-Ichi Hirokami, with Reiko Nakaoki (piano). Messiaen, Mozart, Susumu Yoshida, Beethoven. Radio France, Grand Auditorium (Thur 8.30 pm).

Amsterdam

Concertgebouw. Violin recital by Isaac Stern, with Robert McDonald (piano): Dvorak, Bartok, Brahms, Schubert (Tue). Zubin Mehta conducting the New York Philharmonic: Zwillich, Schubert, Stravinsky (Wed). (718 345).
Concertgebouw, Recital Hall. The Radio Chamber Orchestra under Gunther Schuller. Farina, Haydn, Schuller, Ibert (Mon).

Utrecht

Vredenburg. The Hilliard Ensemble: Lassus (Mon). The Ghent Colligium Vocale and instrumental ensemble under Philippe Herreweghe: Purcell (Tue). Malcolm Bilson, fortepiano: Mozart (Wed). The Consort of Musicke, with Marion Verbruggen, (recorder): works by 17th-century Dutch and English composers (Thur). (31 45 44).

Frankfurt

Alte Oper, Frankfurt Feste: Man and Nature. This year's Frankfurt Festival, on until the end of September, examines the lost unity between man and nature. The 200th anniversary of the birth of Josef von Eichendorff and of important works by Goethe and Holderlin, provides a central theme to this combination of music and literature. Another highlight will be a wide ranging presentation of Stockhausen's music, to celebrate the German composer's 60th birthday.
There will also be piano, chamber music and lieder recitals with Hermann Prey and Dietrich-Fischer Dieskau. The programme features the New York Philharmonic Orchestra, conducted by Zubin Mehta; the Australian Youth Orchestra; the European Community Youth Orchestra and the Gustav Mahler Orchestra, both conducted by Claudio Abbado; and Frankfurt's Radio Symphony and Opera Orchestras.

New York

Juilliard Concerts. Cynthia Wuco soprano recital. Puccini, Liszt, Bizet, Hundeley. IBM Atrium, 56th & Madison (12.30pm).
Lincoln Center. All-day birthday tributes to Leonard Bernstein and Morton Gould on Monday finish off the month-long Out-of-Doors Festival of free performances in Damrosch Park. (877 2011).
Ravinia Festival. Kronos Quartet: Volans, Penderecki, Horvitz, Feldman, Carter, Crumb (Tue). Tokyo String Quartet: All-Brahms programme (Thur). (728 4642).

Tokyo

Dance and Music for the 100th Anniversary of Kabuki-za. Tamasaburo Bando (kabuki actor), with Emmanuel Ax (piano), Young-Uck Kim (violin), Yo Yo Ma (cello). Classical dance, Beethoven etc. Kabuki-za (Mon). (541 3131).
New Japan Philharmonic Orchestra, conducted by Kazafumi Yamashita, with Takahiro Sonoda (piano). Chopin. Suntory Hall (Mon). (359 9755).
New Vivaldi String Ensemble, with Yoshimura Nanae (koto). Bartok, Vivaldi and modern Japanese works. Casals Hall (Tues). (291 2525)
Yomiuri Nippon Symphony Orchestra, conducted by Masahiko *Enkojih, with Hae-jung Kim* (piano). Tchaikovsky, Mussorgsky/Ravel. Suntory Hall (Wed). (270 6191).

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).
The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).
Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. (836 6404, credit cards 379 6233).

Amsterdam

Agnes of God (Stadsschouwburg). The English-Speaking Theatre of Amsterdam with John Pielmeier's play, directed by Bryce Pedersen. (Fri, Sat). (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).
A Chorus Line (Shubert). The *longest-running musical* in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama. (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry. (239 6200).
Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

Washington

Les Misérables (Kennedy Center *Opera House).* The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).
Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3679).
Cabaret (Wolf Trap Festival). Joel Gray leads the cast in a week-long visit by the revival of the hit musical

Tokyo

Kabuki (Kabuki-za). The morning programme, at 11am, includes Kago Tsurube, with Living National Treasure, Utaemon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin. In the afternoon, at 4.30pm, the progamme includes Ii Tairo, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West, as well as one of the most famous works in the kabuki repertoire, Kanjincho (The Subscription List), in which a wily servant outwits his master's pursuers. Opens September 1, (541 3131).
Opera-za no Kaijin (The Phantom of the Opera), Nissei Theatre. Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon-copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. Ends September 20. (508 3111).
Les Misérables (Imperial Theatre). This stirring musical adaptation of Victor Hugo's novel *of the Paris barricades has* returned to Tokyo for another four-month run. Ends August 31. (201 7777).

EXHIBITIONS

Paris

Carte Musées et Monuments, *sold in museums* and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The post-war creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. While contrasting the School of Paris with the School of New York, the exhibition equally draws attention to some of their parallel developments. (42.77.12.33). Closed Tue. Ends Oct 17.
Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and its black brocade veil with verses from the Koran embroidered in gold, and of the Prophet's great mosque in Medina, provide non-Moslems with a realistic image of the shrines of Islamic pilgrimage, to which they normally have no access. Manuscripts, works by the traveller Richard Burton and 17th century Turkish ceramics complete the exhibition. 23 Quai Saint-Bernard (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.

West Germany

Munich, Haus der Kunst, 60 Prinzregentstr. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works – paintings, graphics and plastics – by 470 different artists, including over 100 women. Twenty-two works by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. The exhibition is organised by three group of artists. Ends Sept 11.

Italy

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.
Venice, Palazzo Ducale. Mexican Art pre-Columbus. 140 powerful and disconcerting works lent by major Mexican museums, dating from the 2nd century BC to the Spanish conquest of 1521. Ends Sept 4.
Rome, Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

Switzerland

Martigny. The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portaits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlesienne and landscapes with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. (23976). Ends Nov 6.

New York

American Craft Museum. An ambitious exhibition traces the history of American architecture back to the turn of the century, and emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Washington

National Gallery. More than 60 masterworks, from the superb 16th-18th century collection of Munich's Alte Pinakothek, include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.
National Gallery (East Wing). To mark the 350th anniversary of the first Swedish colony in North America, the exhibition covers four Swedish monarchies in the 16th and 17th centuries and shows Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the National Museum and the royal collections. Ends Sept 5.

Chicago

Art Institute. Photographs by Josef Sudek. Using his native Prague as the background, this avant-garde photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscapes. Ends Sept 5.
Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and Soviet museums Ends Sept 18.

Tokyo

Tokyo National Museum. The Splendour of Turkish Civilization: Ottoman Treasures from the Topkapi Palace. The former Seraglio of the Sultans in Istambul boasts a magnificent location, overlooking the Bosporus, and houses a superb collection of classical antiquities, manuscripts, armour, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrusted with priceless rubies, turquoises and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays.
Teien Museum, Meguro. Masterworks from Europe. As a result of the strong yen, Japanese collectors, both public and private, have been on a spending spree recently. This exhibition draws together some recent acquisitions and, though aimed mainly at Japanese children, it provides an opportunity to assess current Japanese taste in Western art. This seems to be basically conservative, with an emphasis on Impressionism and Post-Impressionism. The 69 works on show range from Renoir at his most sentimental to late Picasso lithographs and a selection from Matisse's mighty Jazz series. The museum has a superb Art Deco interior and a pleasant garden. Closed August 24. Ends September 4.
National Museum of Modern Art. The Image of Man in Modern Japanese Art. Individualism is not generally admired in Japan, so portraiture, in the sense of the portrayal of individual psychology, is not part of the artistic tradition. However, in modern times, a number of Japanese painters have grappled with this problem with varying degrees of success. This exhibition features portraits and other works in which the human figure is predominant – all executed within the last 100 years. Closed Mondays. Ends September 9.
Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends September 25.

OPERA AND BALLET

London

English National Opera, Coliseum. The season opens with revivals of two of the less successful ENO productions of recent times. David Pountney's ugly, coarse-grained modern-dress Carmen does at least sport a highly promising cast, including Jean Rigby, Arthur Davies, Sergey Leiferkus and Susan Bullock. Jonathan Miller's limply staged Mussolini's-wartime-Italy production of Tosca has Janice Cairns in the title role, with Edmund Barham, and Malcolm Donnelly.

Amsterdam

Stadsschouwburg. The Hoofdstad Operetta Company in Karl Millocker's Gasparone, directed by Hans Fretzer. (Mon). (24 23 11).

Berlin

Deutsche Oper. As a contribution to the European cultural year, Berlin is staging a guest performance of Alexander Borodin's Furst Igor, sung in Russian, by the Sofia Opera. Lulu is revived with a new cast led by Patricia Wise in the title role, Emily Golden and David Griffith. Dmitri Shostakovich's opera Lady Macbeth von Mzenk rounds off the week.

Hamburg

Staatsoper. The opera house begins the season, under its new directors Gerd Albrecht and Peter Rzicks, with a concert version of Therèse by Massenet. The cast stars Agnes Balsa, George Fortune, Richard Leech, Urban Malmberg, Peter Haage, conducted by Gerd Albrecht. Die Zauberflöte has fine interpretations by Hellen Kwon, Gabriele Fontana and Harald Stamm. Die verkaufte Braut is a well done repertoire performance.

New York

New York City Opera (State Theater, Lincoln Center). The week features Victor Herbert's Haughty Marietta in a new production by Theodore Pappas with sets by Oliver Smith. (496 0600).

Tokyo

Nabbucco, performed by Teatro alla Scala, Milan: conducted by Riccardo Muti, directed by Franco Zeffirelli and with Renato Bruson in the title role. NHK Hall (Thur). (725 8888).

CINEMA

A struggle as seen in black and white

If you make an anti-apartheid film today, you are on a hugging to nothing. The civilised Western world will clasp you to its bosom; the critics will applaud; and your movie will be allowed to perpetrate the kind of pamphleteering crudities that would laughed off the screen in any other kind of film.

At Cannes the response to *A World Apart*, the truth-based story of persecuted white anti-apartheid journalist Ruth First, a victim of South Africa's 90-day detention laws in the 1960s, was wondrous to behold. British critics who had hailed Sir Richard Attenborough's *Cry Freedom* as the best thing since the Sermon on the Mount now went about saying. "Oh, but that was rather crude. *A World Apart* is so much more subtle and human." And Cannes audiences cheered the movie's "inspirational" ending: yet another of those frozen shots in which the arm of black resistance is raised as the gesture of a New Dawn. (With so many new dawns around in South Africa, when do we get to see daylight?)

You have to be insane to believe that apartheid is a system with any honour or virtue: or that it is founded on anything but organised greed, cruelty and bigotry. But the crudity of the evil does not license crudity in the attack on it. *A World Apart*, directed by Oscar-winning British cameraman Chris Menges (*The Killing Fields*, *The Mission*) and scripted by Ruth First's daughter Shawn Slovo, is an infuriating mixture of the perceptive and pantomimic.

It is superb whenever its focus narrows to the family circle: the struggles of love and comprehension between the harassed, crusading heroine (Barbara Hershey) and the eldest of her three daughters, a 13-year-old political innocent (Jodhi May). Between them they try to keep the family together — what is left of it — after communist Dad (Jeroen Krabbe) has fled the country and when Mum is arrested for pro-ANC activism.

By contrast, whenever it adopts the pamphleteering strategy of argument by caricature, *A World Apart* becomes a film adrift. Not just when it wheels out the familiar Afrikaner nasties spitting out familiar pantomime venom: police chief Paul Freeman, torturing vowel sounds to death, or smoothie interrogator David Suchet, carrot to everyone else's stick, but also in the inevitable scene of "what a plucky lot the blacks are despite their hardships." When we visit a township home with Miss May and her black family maid (Linda Mvusi), jokes fly, smiles flash, comradeship rules and the world seems young. You would suppose Utopia were here in embryo.

Mirabile dictu, these propagandist simplifications co-exist with a skilfully told story, vibrant with ambiguity: the mother and daughter's attempt to reach each other through the battle-lines, to preserve a private love in a public war. The mother is played with violin-string tautness by Barbara Hershey, as if her strength were a thing of will and gritted teeth, with no time out for feeling. And while she battles against the stream of history, Jodhi May's touching, befuddled daughter — now skittish and schoolgirlish, now hanging a head weighed down with

Barbara Hershey and Jodhi May in *A world apart*

grief or puzzlement — copes with ostracism by girlfriends, orphanhood by Mum's imprisonment and even crack-up by Granny (Yvonne Bryceland).

In these scenes of a family at play and at war, Chris Menges's directing debut has the thrilling mixture of radiance and matter-of-factness that distinguishes his best cinematography. Whenever its puts down the frayed banners of cine-agitprop, the film becomes humane, subtle and powerfully moving.

* * *

South Africa is the one country unlikely ever to be visited by Sylvester Stallone's Rambo. Heaven forbid that he should wield his multi-megaton biceps on behalf of the downtrodden blacks: he might risk being called a Commie pinko. Instead, in *Rambo 3*, directed by Peter McDonald, our hero sorts out Afghanistan. Alas, little can Mr Stallone have anticipated that by release date the war would be over (in principal), knocking the stuffing out of the gung-ho and a good $30m off box-office receipts.

A WORLD APART
Directed by Chris Menges

RAMBO 3
Directed by Peter McDonald

BIG BUSINESS
Directed by Jim Abrahams

DEATH OF A SALESMAN
Directed by Volker Schlondorff

Never mind. The gurgling Neanderthal is once more summoned from retirement, like Cincinattus from his plough. His boss (Richard Crenna) is once more kidnapped in the field of action. (You cannot take this man anywhere). And Mr Rambo once more proves — surely not for the last time — that if you are going to do a job, you might as well overdo it. The Soviet-held desert fortress detaining Mr Crenna is subjected to enough one-man fire-power — machine-guns, crossbows, grenades, plastic explosives, rocket-launchers — to demolish most of south-west Asia.

This man is a menace to civilisation, with no frontiers to his fanaticism. While most of us cannot get a bunch of keys through the metal detector unbleeped, Rambo apparently travels the world with the entire contents of the Pentagon Surplus Store. I suggest we form a network of airport "neighbourhood watches." We must stop this man before his next expeditionary raid on a war-torn country — and on war-torn filmgoers' patience.

* * *

Things could be worse. There could, for example, be two Rambos. Or even four: like the twins played by Bette Midler and Lily Tomlin in *Big Business*. Inspired (I use the word loosely) by Shakespeare's *The Comedy Of Errors*, this patchy farce hurls two pairs of mismatched sisters into separate adulthoods — at birth each baby Tomlin was accidentally put with a baby Midler — and then reintroduces them for maximum misunderstanding.

In New York imperious tycoon Midler and supposed sibling Tomlin run a giant conglomerate about to sell off a wee furniture-producing subsidiary in the country. Guess who lives in the sticks and is determined to defend the sticks factory? Correct. Midler Two and Tomlin Two. And 'tis but the work of a moment, or 98 minutes, whichever comes sooner, for scriptwriters Dori Pearson and Marc Rubel and director Jim Abrahams (of *Airplane*) to throw the two twin sets at each other and await the pearly one-liners.

They never come. After a championship beginning — with Midler in knock-out comic form as the tycoon (part Tallulah Bankhead, part Miss Piggy) — the canvas starts to weave about. The legs go and the contestants reach for the ropes. By round 12 at the Press show the crowd was looking at its watches and the referee was looking for a way to end the fight. But the special FX are fun and Midler, for a reel or so, is terrific.

* * *

Death Of A Salesman arrives on the large screen several months after its video release, like a lost twin turning up to claim the inheritance.

Volker Schlondorff's film of Arthur Miller's American tragedy deserves the larger territory. It has a smacking force both as cinema and as well-filmed theatre. (It adapts the 1984 Broadway production). Using stage sets with no apology, Schlondorff turns Willy Loman's quest for the American dream into a designer American nightmare. And bestriding a cast of modestly colossal talent — John Malkovitch, Kate Reid, Charles Durning — *is the super-Colossus* himself: old beaky-nose, Dustin Hoffman.

The voice is sandpapered to a sexagenarian rasp, the thin grey hair is scraped across the scalp. Hoffman dons 30 years at a stroke and proves himself both a great character gymnast and a contender for the big tragic perennials. Next stop: King Lear?

Nigel Andrews

La Cenerentola

SALTZBURG FESTIVAL

After a week of Mozart it can come as something of a jolt to turn to Rossini. Although, in theory, both wrote comedies that have their roots in the Italian *opera buffa* tradition, there is a world of difference between Mozart, looking long and deep into the comic plight of his characters, and Rossini, who is generally content just to let the mechanism of the plot tick over.

For this year's new production at the Kleines Festspielhaus the Salzburg Festival chose *La Cenerentola* and have rewarded themselves with a staging that runs with clockwork precision in the finest Rossini style. Michael Hampe's production may not have any new ideas about the piece, but he does do the old ones exceedingly well and has served his audience truly festival fare.

Equally, the show looks traditional in the pretty designs of Mauro Pagano, whose early death sadly robbed him of a chance to see them on stage: a palace in pastel blue and cream with many sparkling chandeliers, a storm scene with coach and horses galloping through the countryside. Each is precise in its drawing, precise in its colour, in a way that complements the split second timing Hampe has researched in his players.

The feature, however, which *brings to this Cenerentola* a heart in every sense — and

***La Cenerentola* at the Salzburg Festival**

unexpectedly brings Rossini one step closer to Mozart — is the singer in the title role. Ann Murray, familiar to British audiences, is a Cenerentola so shy and sensitive, so visibly crushed by the neglect and bad treatment by her family, that she reveals a social aspect to the opera, and a human face, that one might not have sensed before.

When Supervia earlier in the century dazzled audiences with her Rossini coloratura, and Berganza had sparkle, Murray finds colours that are much more subdued. In all the music (not only the pathetic D minor lament) she reminds us that even Rossini should be sung through with a proper legato; *and only in the final scene*, where Cenerentola is at her height, does the lack of vocal brilliance together with some breathiness in the scales tell against her.

It is a shame that the men cannot be equally expressive. We are certainly fortunate that *there is such a good provision* of singers who can manage Rossini at the moment, for that was not the case 50 years ago. But it is one thing, for example, to hear a Don Ramiro like the tenor Francisco Araiza, who can sing all the notes (top C's and coloratura included) and quite another who delights in their rhythms, their light and shade, and makes music from them.

Among the rest of the cast, Gino Quilico cuts a dashing *figure as the Count in disguise*, and sang with somewhat brazen confidence. Walter Berry scored a personal success as the grumpy old father Don Magnifico, though the voice speaks rather slowly these days for Italian patter. Wolfgang Schone was the Alidora; *and Angela Denning and* Daphne Evangelatos were the "ugly" sisters, spoilt and untalented, dripping in diamonds and forever trying out their ballet postures.

In the pit there was less grace than on stage, but Riccardo Chailly led the Vienna Philharmonic in a red blooded and energetic performance, giving the sforzandos in the Overture a sharp dig in the ribs. Everything was precisely drilled, and the delight that can come in a Rossini performance from hearing a group of soloists starting to work together in the ensembles like the cogwheels in a clock was here everywhere in evidence, with not a note or consonant out of place.

Finally, a word of high commendation for the revival of Schonberg's *Moses und Aron*. If a tribute is sought for the art of the late Jean-Pierre Ponnelle, there could be none more impressive than this epic production, both for its dramatic skill in making us feel the enormity of Jewish history past and present, and for the expert visual sense of Ponnelle as designer: there is nobody who has used the vast canvas of the Felsenreitschule stage to more telling effect.

The difficulties of finding sufficient rehearsal time, especially for the immensely taxing choral parts, make *Moses und Aron* a once in a lifetime challenge for most opera companies, and Salzburg has responded to Schonberg's operatic masterwork with dedication at the highest level. James Levine with the VPO and Vienna State Opera Chorus, Theo Adam (Moses) and Philip Langridge (Aron), led a masterful performance. This was the opera at its most dignified, free from any kind of cheap exploitation, and was all the more deeply moving for that.

Richard Fairman

La Gatta Cenerentola

KING'S THEATRE, EDINBURGH

Roberto de Simone's *favola in musica* arrives in Edinburgh as *The Cat Cinderella*. The visit of the production from the Mercadante Theatre in Naples has been sponsored by the Italian Foreign Ministry and the Bank of Scotland to provide an operatic element for the festival's Italian theme, though the three-and-a-half hour show defies any such strict categorisation most gloriously.

I fancy much of the audience for Wednesday's opening was made up of theatre-goers, who will have gone away immensely satisfied with what they experienced. But anyone at all interested in what power can be harnessed from a synthesis of music and theatre ought to catch a performance.

Simone's starting point is the Cinderella story more or less as we know it from our children's books and pantomimes, though his source is an early 17th-century Neapolitan collection of tales with some significant differences. This Cinderella, whose nickname for obscure mythic reasons is "Cat," has six sisters rather than two, and is not quite the sugar-sweet virginal creature of our convention — early in this version for instance, she attempts to decapitate her stepmother. The fairy godmother is here a broken-backed young monk, and the encounter with the prince takes place in a church; such religious imagery, evidently purged from the northern European story, constantly underpins *La gatta cenerentola*.

In and out of that central story are woven elements of other south Italian legends, so that Simone creates not just a intricate folk tale, but a richly patterned tapestry of Neapolitan life, in which a wealth of cultural and performing traditions collide and overlap. In many ways the story of Cinderella is merely a convenience, a peg on which to hang a sequence of brilliantly conceived and realised set pieces.

The tang is always earthy, instantly Mediterranean; the colours are bright, the sounds raw-edged, and the dialogue lightning fast, acerbic and riotously bawdy. The production carries English surtitles, though they can cope with only about one tenth of the torrent of exchanges, all of them in richly seasoned dialect Italian.

Each of the three acts has at least two show-stopping routines, though a scene in the third act in which a group of washerwomen drive themselves into a frenzied dance of compulsive rhythmic intensity is the evening's highpoint. At moments such as that Simone's musical glosses are sparing and unfailingly well judged; elsewhere he concocts a richer mixture with unashamed eclecticism, though the style is always rooted in the folk music of southern *Italy and its affecting vocal* style.

There are excursions into opera too — the stepmother and one daughter, both played by men, tackle an uproarious Rossini pastiche, complete with cadenzas — and sometimes descends into pure film-score kitsch. But it all works, even when the *La folia* theme is used as background to Cinderella's dream sequence. The pressure of theatricality is unrelenting, and every expressive drop is wrung from the songs and from the dramatic setpieces.

With less compelling performances it might just have seemed too contrived, too determinedly uproarious. But this wonderful multi-roled cast operates on full throttle throughout, leaving no pause for doubts.

There are too many cameos to detail, though three performers must be mentioned — Rino Marcelli's Stepmother, a splendid package of snobbery and conceit, Giovanni Mauriello's House Fairy and Gay Queen, and most of all Ise Danieli as first the Hairdresser, never using one word when she can get away with a hundred, and later as the First Washerwoman, setting up that extraordinary dance. Renato Piemontese conducts an orchestra that matches the cast in passionate involvement. A marvellous, magical evening.

Andrew Clements

New York Philharmonic

BARBICAN HALL

The New York Philharmonic moved to the Barbican for their second London concert. In that less spacious acoustic, the extreme proficiency of their playing again made a resounding impression. Zubin Mehta conducted sprightly Schubert and big Bruckner (the Fourth Symphony, which deserves more room to breathe in) with evident affection.

He used sensibly reduced forces for Schubert's "Rosamunde" Overture and the charming Second Symphony; given the density and hearty vigour of the orchestral sound, they might have been reduced still further. But Mehta insisted on fleetness and dancing rhythms, which kept the music alert, and the quick movements were showcases for his brilliantly unanimous strings.

One kept noticing that even the back desks of violins pulled their full weight — not a familiar phenomenon in London. Ideally, I think the Symphony wants a lighter touch, but this lusty reading was nonetheless an agreeable tonic.

Bruckner's Fourth was much more than that. It expanded sumptuously on the splendid New York brass (horns in superb tune, despite an occasional human fluff), and it brought out the best in Mehta.

The great climaxes towered and crashed, of course, but there was a lot of beautifully controlled pianissimo, and a fine sense of when to leave the music simple. Mehta's tempi were never eccentric — occasionally a notch faster than some old Brucknerians prefer, but not hustled. The Finale was a remarkable exhibition of daring flexibility and rubato, utterly justified by Mehta's sure sense of overall direction: while insisting vividly on the characters of *all* the distinct elements, it made a coherent, continuous whole.

There were many incidental pleasures: a sweetly telling first flute, for example, and a viola section that played nobly in the Andante — in general, the New York lower strings seem to vie with the violins in forcefully articulate expression. (Mehta offered an unusual treatment of the staccato violin motif in the first movement, by the way: sharp and pointed, instead of soft and tripping in the conventional way — but quite convincing.)

The whole impression, however, was strictly musical, not gratuitously flashy; the more imposing because the sort of "atmosphere" that can enhance the Fourth Symphony is not to be had in this hall — solid musical sense had to be rigorously pursued, and it was.

David Murray

Captain Carvallo

GREENWICH

The farmhouse kitchen has a gabled roof like a Swiss chalet music-box. The bannisters and kitchen dresser betray the middle-European ornateness of a nation whose main industry is apparently fretwork. The maid sweeps, the radio plays zigeu*ner music, and the master is in* town buying manure.

Or is he? In fact he is on a dangerous partisan mission for his occupied country. This is the whimsyland beloved of 1950s theatre, amusing, articulate, too lightweight for Shavian debate but not too far from Gilbertian drollery, with a sentimental streak that occasionally darkens into the serious.

The author is Denis Cannan, who significantly was to translate Anouilh's *Colombe*. The slight bitterness discernible in the comic froth recalls the French author. There are even moments when a shadow as of Feydeau is glimpsed through a farce darkly. The returning figure is not Caspar safe from his mission but a professor of biology wearing his clothes. They have temporarily exchanged identities, to the annoyance of Caspar's wife, who finds the atheist materialism of the greatest living authority on *tadpoles an odd substitute for* her devout lay preacher yeoman spouse. The surprise arrival of an enemy officer, billeted on the farm with his batman, forces the pretence to be kept up; and complications multiply when Caspar unexpectedly returns to find his wife being comforted by his surrogate.

The eponymous officer, meanwhile, emerges as a romantic, part rogue and part poet, not too distant from Shaw's chocolate soldier when not gazing at the moon. Attempting to save his life from a dotty partisan gesture of slaughter, the company lures him to a rendezvous with the not entirely unwilling if thin-lipped farmer's wife, which not even a bomb blast succeeds in disturbing.

Angela Thorne finely portrays ultimate unhappiness and resigned stoicism. Initially *she seems too sophisticated for* a devout and domesticated Sunday-school teacher and agricultural wife (though I imagine the naturally aristocratic Diana Wynyard was equally unsuitable in the 1950 London run). Admittedly, Smilja does secretly read French novels, but the play's potentially most interesting character is left tantalisingly undeveloped. And Miss Thorne brings little conviction to the early setting-up of the farcical *complications*.

Otherwise Toby Robertson's direction on Sean Cavanagh's solid set (the production originated at the Theatr Clwyd, Mold) gives the serious passages their due. They rightly pass quickly over unworthy laugh-lines like "You're trampling on my Apocrypha!" in favour of the cumulative conviction of the "sordid, wasteful, imbecile" business of dying *pro patria*. Neil Stacey's quizzical, free-thinking professor, in the Resistance solely with an eye on eventual peace-time advancement, slightly overdoes the orotund prolixity; Oliver Parker's poetry-reading young captain convinces as reluctant warrior and gentlemanly seducer; and Charles Millham, as the batman, recalls the mark he made in small comic parts with the Royal Shakespeare Company. A gentle, enjoyable play from a period when a course could be steered delicately between theatre with harsh messages and escapist entertainment.

Martin Hoyle

Beatle's car sold for £17,600

George Harrison's 1969 Mercedes made the top price when Christie's South Kensington took over the dispersal of pop memorabilia yesterday. It sold above forecast for £17,600 to a Japanese buyer.

The perils of returning an item prematurely to auction were well revealed when an autographed pair of Michael Jackson's dancing shoes sold for £3,300. They had made £3,800 in April when bought by *The Sun* for use in a competition. The winner has quickly cashed them in.

Mementoes of Jimi Hendrix remain very popular and a wide brimmed floppy hat he wore doubled its estimate at £2,420. A rare set of five Elvis Presley singles on the Sun label also doubled their forecast, at £3,300. Nine lots of *clothing worn by Sid Vicious of* the Sex Pistols and sold by his mother in aid of Children in Need raised over £9,000 for the charity. The top price was the £2,640 paid by the Hard Rock Cafe in Los Angeles for a black leather jacket with studs.

Antony Thorncroft

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Tackling the deficit

THE SHOCK of Britain's £2.1bn current account deficit in July is reminiscent of the consternation caused by the sudden leap in monetary growth in the summer of 1980. Monetary policy was never the same again after a 5 per cent increase in sterling M3 in a single month.

Yesterday's trade figures may similarly stimulate some fresh thinking about the instruments and targets of economic policy. The shock jump in the money supply followed the removal of the old "corset" which had controlled credit growth; ironically, the bad trade numbers are once again prompting economists to debate the case for direct measures to restrain credit.

Yesterday's red ink does not necessarily imply that the UK faces a long string of £2bn deficits. On the other hand, every supposedly aberrant figure in the recent past has turned out to understate the deterioration of the external account. The current deficit in the first seven months of this year was £7.9bn, twice Mr Lawson's Budget forecast for the whole year. The deficit between May and July was five times higher than in the same period last year. Between May and July, imports were 16 per cent higher than in the corresponding period last year, compared with a 5½ per cent increase in exports. The import surge follows the explosive growth of credit and consumer spending.

Weaker case

With the benefit of hindsight, it is difficult to argue that the Budget was sufficiently tight. With the economy approaching a cyclical spike and the private sector dissaving on a massive scale, the case for sizeable tax cuts was weaker than claimed at the time. The decision to set an early deadline for the elimination of multiple mortgage tax relief on single properties was right in principle, but the short-term effect was unfortunate. As people rushed to meet the deadline, the already frothy property market went into overdrive. The clamour for credit was further exacerbated by the need to lower base rates in an effort to prevent excessive sterling appreciation.

The official line now is that the tightening of monetary policy in the past two months, including yesterday's one point rise in base rates to 12 per cent, will rein back domestic growth. Moreover, the current account deficit, although running at near 4 per cent of GDP, will prove self-correcting, because it has been caused by private rather than public sector borrowing. The policy tightening, however, will take effect only with a lag; in the meantime confidence in Britain remains high and the current account deficit is easily financed.

Monetary dilemma

This is all true, although it is worth noting that confidence is being sustained partly by government action in both the gilts and foreign exchange markets. Long gilt yields would be much higher but for Bank of England purchases from market makers. The equity market fell heavily yesterday, not least because the authorities here can play no stabilising role. If overseas confidence in the UK were to evaporate, short-term funds could be withdrawn rapidly with unpleasant consequences for sterling, and further sharp upward pressure on interest rates.

The dilemma is whether it really makes sense to let monetary policy take all the strain of slowing the economy. Mortgage rates are already set to rise again; further increases in base rates could have dire consequences for overstretched borrowers in the housing market. They perhaps need to be taught a lesson, but not too severe a lesson: after all, earlier in the summer Mr Lawson's sterling policy was giving them some very misleading signals.

Policy options that could be explored include a tightening of fiscal policy ahead of next year's Budget. As for the restraint of credit, tax measures are preferable to the re-introduction of bureaucratic controls such as the old corset. The advantage of non-monetary measures is that they would exert generalised pressure on consumers without penalising producers. An emergency response is not required; economic developments in coming months will show whether the measures already taken are sufficient.

Portugal's task for 1992

FOR MOST members of the European Community, accession did not raise issues of constitutional reform. The major exception is Portugal whose constitution is wholly unsuited to the spirit and letter of the EC. If reforms are not pushed through quickly, Portugal will be at a serious disadvantage in 1992 when the remaining barriers to the internal market are due to be removed.

There are encouraging signs that the constitutional problem is finally being tackled both in parliament and in the courts. The Cavaco Silva Government is showing a commendable sense of urgency, placing constitutional reform as a top item on the agenda for the rest of the year. The Government is also being given a helping hand by the courts.

Last week an important advance was made in a judgment by the Constitutional Tribunal. The court's ruling permits the Government to begin reorganising some of the enormous collective and co-operative land holdings in the fertile Alentejo region, south of Lisbon. This farmland was occupied by peasants and workers in 1975, and organised into Soviet-style collectives and a few co-operatives. Although the subsequent record of managing the land has been at best indifferent, the Alentejo has been one of the most emotive symbols of the revolution's achievements for the left. Its status was enshrined in the 1976 constitution, along with other aspects of state or collective ownership which had occurred, often haphazardly.

Archaic manifesto

The constitution today reads like an archaic Marxist manifesto; no modern government can afford to be tied down to an immutably large public sector. As a result of the revolution more than 50 per cent of Portugal's gross capital formation was brought into the state sector with disastrous consequences for the exchequer.

An initial constitutional review in 1982 dealt with the first priority – the removal of the military from their undemocratic watchdog role – and this was achieved slowly but painlessly. Broader constitutional reform was held back by the need to let passions cool and more practically by the difficulty of finding a stable government which could muster the necessary two-thirds majority to effect such changes.

The convincing electoral win last year of the social democrat, Mr Anibal Cavaco Silva ended more than a decade of government through precarious coalition and alliance. He assumed office on a pro-Europe ticket with a clear mandate to slim down the state's role. Already he has initiated pilot privatisation with one of the smaller banks and a brewery nationalised during the revolution. A wider divestment of assets that would restore the balance in favour of private enterprise must await a constitutional review now being carried out on a bi-partisan basis.

Changed tune

This review should benefit from a new sense of pragmatism that now permeates the Portuguese body politic. Even the Communist Party, long the most pro-Stalinist in Europe, has been obliged to change its tune, given its reduced popularity at the polls and the whiff of glasnost coming from Moscow.

The catalyst for change has undoubtedly been accession to the EC, the impact of which has been felt in many different ways. Above all membership has given the Portuguese a much needed psychological boost. Yet Portugal labours under a serious handicap simply because it is a small, sparsely populated country on the periphery of Europe. Its attraction to foreign investors, apart from tourism and some services, is closely linked to its low labour costs. The Portuguese have been slow to face up to this unpalatable fact and Mr Cavaco Silva must now take the lead in stimulating a debate on the country's role in the EC. Otherwise Portugal's case for special treatment as the Community's least developed member risks being undermined.

David Housego reports on the sense of relief now palpable in Pakistan

Mood of a new beginning

In the twilight world between rumour and reality in which Pakistan conducts its politics, a great many people will tell you these days that they had predicted the death of President Zia ul-Haq.

Some say that they knew he would be assassinated or killed in a crash. Others claim to have predicted that he would be overthrown before the elections scheduled for November.

But whatever the truth, the soothsayers' prophecies show that in some way Pakistan was prepared for his going. Surprisingly, therefore, the death of the man who had once again in recent months concentrated all power in his hands and allowed no obvious successor to emerge has not created a power vacuum.

Among politicians, bureaucrats and even within the armed forces – insofar as a journalist can penetrate that most arcane of Pakistani institutions – there is a sense of relief. "Our morale is much higher now," said one senior officer in strict privacy, despite the death in the crash of so many of the senior command.

By the end, President Zia was seen to have led the country into a blind alley. He had found the sharing of power with his former Prime Minister, Mohammad Khan Junejo, too uncomfortable and in May dissolved the national and provincial assemblies.

He was preparing for general elections he did not believe in, did not intend that political parties should take part in, and some doubted that he would ever hold.

And he was pushing the army and the Afghan resistance into a more aggressive stance in Afghanistan in the hope of wresting a military victory on the heels of the Soviet departure.

It was increasingly emerging that the armed forces, the United States and the less fundamentalist wing of the resistance were unhappy with that role. In their view, only a more broadly based regime in Afghanistan could avoid the bloodbath that would follow an all-out conflict between President Najibullah's Marxist Government and Hezb-i-Islami, the most fundamentalist of the guerrilla groups.

The abruptness of President Zia's death and the pomp of his funeral have made the transition much easier than if there had been a messy power struggle. There is thus the sense of a fresh departure rather than the melancholic introspection that has gripped Pakistan on so many other occasions in its crisis-ridden past.

None the less, the pitfalls are many. The acting president, Ghulam Ishaq Khan, a former bureaucrat and finance minister, has the support of the new army chief of staff, General Aslam Beg, in pressing ahead with elections in November. Candidates will run on party tickets, instead of standing as individuals as President Zia had intended.

Elections are necessary to provide a civilian government with the legitimacy to tackle the problems set aside by the long years of martial law and the priorities of the Afghan conflict: the smouldering resentment of the minority provinces of Pakistan; the tensions between Shia and Sunni Moslems, exacerbated by President Zia's pro-Sunni policies; the hostility in the south between Sindhis and immigrants from India; and the future role of the army.

The prospect of the end of the war in Afghanistan poses a number of problems of adjustment. It will involve a rethinking of Pakistan's relations both with the countries that have assisted it – the US, Saudi Arabia and the Arab states of the Gulf – and with the Soviet Union, the main antagonist over the last eight years. And Pakistan will want a settlement in Afghanistan that meets its minimum security needs, an end to the long running disputes over the border and to Kabul's encouragement of Pathan nationalists within Pakistan.

Economic problems also loom large. Remittances from Pakistani workers in the Gulf, together with the black economy that has flourished around corruption, the heroin trade and arms traffic, have helped to boost prosperity during the Zia years. But meanwhile, public finances are slipping towards bankruptcy, and prosperity has been unevenly spread. The concentration of wealth in the hands of industrialists and big landowners has grown.

President Zia believed that these problems would overwhelm democratic institutions. "Better good government than democratic government," he would say, warning his associates against "unbridled politics." The risk is that if the politicians make a mess of it, before or after the elections, the army will be drawn back into the arena.

The rumours of imminent martial law that have swept through Pakistan this week suggest that some soldiers would prefer military rule to government by Benazir Bhutto and her Pakistan People's Party, the largest political grouping and an obvious contender to form a government in the wake of free elections.

The questions its leaders say they want to put before the electorate – including unemployment, living standards, and the role of the army – will almost certainly be crowded out by the far more emotional issue that still haunts Pakistan: the conflict between President Zia and the man he deposed, Zulfikar Ali Bhutto.

Benazir Bhutto's case is that Zia's execution of her father, the elected President, in 1979 robbed Pakistan of its legitimate government. In that cause, she picked up the mantle of her martyred father. Her campaign is bound to exploit the popular enthusiasm, the opposition to martial law and to Zia, that the Bhutto name still inspires.

At the other end of the spectrum Mr Mohammad Khan Junejo, Prime Minister under Zia until May this year, seems likely to lead a coalition of conservatives, pro-business and Islamic forces under a Moslem League label that is held together as much as anything by opposition to the Bhutto family. A strong card in Mr Junejo's hand is that he was also dismissed by Zia and thus can equally pose as a victim of the military regime.

Parties are beginning to gravitate around these poles. In recent years, the People's Party has been part of a broader coalition, the Movement for the Return of Democracy, to try to overthrow Zia. Now he has gone there is a question mark over whether it hangs together.

Benazir has the same high-handed way of running her party as her father, which makes relations with other political parties difficult. She is expecting a baby in late September, which means that she will have to limit her own public appearances in the run-up to the election.

In the days since President Zia's death, Mr Junejo has been receiving visitors like Mr George Shultz, the US Secretary of State, with all the confidence of a man who sees himself as prime minister again. He is seen by the army, the business community and most diplomats as the best choice for a smooth transition.

But he also has a great many problems to resolve with his colleagues and allies before he can put together a vote-winning alliance. An unknown before he was picked as premier by Zia, he is still seen as a political upstart. On the platform he lacks the charisma to stir the crowds in the way politics in Pakistan requires.

There are also a number of regional and Islamic groups who will expect their voices to be heard by a new government. If Pathan nationalism has grown less strident because of Afghanistan's preoccupation with its own problems, Sindhi nationalism has grown much more militant during Zia's rule. The large province of Sind feels it has too small an influence on the policies and resources of the central government. And Sindhis are now in bitter conflict with the Mohajir population of the province who settled there from India after partition and now claim that they are Pakistan's fifth nationality.

Ghulam Ishaq Khan: promising free and fair elections

President Ghulam Ishaq Khan has promised "free and fair" elections. Politicians by and large do not doubt his word. But they are seeking further safeguards. Before his death President Zia had redrawn constituency boundaries in a way that favours his own supporters. The chief ministers in the provinces, chosen by Zia, were preparing to deploy funds in support of government-sponsored candidates. Some politicians have thus called on the new president to remove the caretaker governments in both Islamabad and the provinces before elections are held.

Ghulam Ishaq Khan has plenty of experience as a senior civil servant. But he has none of holding the reins of an electoral juggernaut that has too often in the past veered out of control. In support he has General Aslam Beg, an army chief of staff who is committed to putting civilian government back on the rails.

The army has in recent months seen its own name tarnished by a series of damaging events – not least the explosion that killed President Zia and his senior military staff and which points to a serious security lapse. It has no wish to get drawn into the quagmire of domestic politics. But equally, after dominating Pakistani life for the best part of 30 years, it will not be easy for the army to take a back seat – particularly if, as Zia feared, democracy unleashes the latent divisions of a country that has never fully discovered its identity.

But on the assumption that President Ghulam Ishaq's administration can weather the two and a half months to the elections, two problems will be high on the agenda of the new government.

The first is Afghanistan. President Zia's policy of active intervention in the country to instal an Islamic government in Kabul was causing divisions within the seven-party alliance of resistance leaders, was resented by the resistance commanders as imposing a strategy of attacks on major cities that were costly in lives, and seemed unlikely to give Afghanistan the stability that would come from a more broad-based regime.

Both Benazir Bhutto and Mr Junejo would give more weight to finding a political solution. The elements of this are beginning to fall into place with the growing acceptance of the idea of a broad-based interim government that could prepare the way for elections.

For this to happen peacefully President Najibullah would have to step down, taking with him the 4,000 or so party officials who are anathema to the guerrilla leaders and responsible for the brutalities that have seen over 50,000 people executed in Afghan prisons. If President Najibullah does not go peacefully, the prospect is of a continuing civil war that would put further strain on Pakistan.

The other immediate problem for an elected government in Pakistan will be the need for austerity policies to halt the state's slow slide into bankruptcy. Interest payments on government debt and defence now account for 79 per cent of current expenditure. The International Monetary Fund is holding back on a $1.3bn credit line that the Government needs for balance of payments support until Pakistan demonstrates convincingly that it is cutting the budget deficit which is helping to exacerbate the balance of payments problem.

This year's budget proposed cutting the deficit from 8 per cent of gross domestic product to just over 5 per cent. But since it was presented a couple of months ago, the Government has been backsliding on the tax measures – including a larger sales tax on industry – that were behind the revenue projections.

President Zia's strength was to hold his ground against the Russian invasion of Afghanistan and to make Pakistanis feel that their country was an important player on the world stage. But in other ways his one-man rule has left a legacy that would strain any administration – let alone the fragile institutions of Pakistan.

OBSERVER

Bollards: in the red

■ I had long assumed that one of the most successful but least known manufacturing sectors in modern Britain was the industry which makes red and white plastic bollards, or cones, without which no British road would be complete.

The logic seemed impeccable. The boom in bollards surely owed much to a unique British contribution to modern life – the contraflow system. It is not clear whether contraflows were actually invented here, but there is no doubt that this is where they have reached perfection. A grand total of 3,110 miles recently spent on the highways and byways of Italy and France, for example, failed to reveal a single contraflow – and very few bollards, regardless of colour.

Numerous British tourists, clearly disorientated, were observed parked on the hard shoulders of autoroutes and stradas, their yellow warning triangles out illustrating their distress. The European motoring organisations are understood to be considering providing psychiatric counselling among their other services.

Further fantasies flew from these observations. That, for example,there was genuine concern in Europe, with 1992 approaching, that contraflows will be made mandatory throughout the Community, starting in rush hours but eventually extending throughout the day. Or, more to the point, that the real fear on the continent was that the fledgling European plastic bollard industry would be swamped by what was already a British powerhouse.

The truth, sadly, disappoints. The British bollard industry apparently is not in great shape at present. Mrs Thatcher is, naturally, to blame, with the Government's unannounced, but reported, moratorium on road maintenance the culprit. The major makers – Swintex of Manchester, which has the capacity to make 2m a year, and Johnston Safety and Peter Cook, both of Oxford – at least do not suffer from foreign competition though they do have to import a lot of reflective material from Minnesota Mining and Manufacturing of the US.

The word bollard is derived from the old Norse, but the modern versions, it seems, do not have a great life span, just a few months, what with inconsiderate treatment from cars and the fact that lots of people take them home, to serve as planters, goalposts and indoor gnomes. So no one really knows how many there are out there. But, for general edification, it can be revealed that a typical motorway model costs between £6 and £8, with an upmarket version, from Berger Traffic Products, hitting double figures but lasting five years, if not purloined.

Still, if things are that parlous, maybe Leon Brittan should go to Brussels and press for more contraflows. It would help a vital British industry.

Red faces

■ As most of us wait for mortgage rates to follow yesterday's one percentage point rise in base rates, spare a thought for the embarrassment it has cause the Bank of England's staff.

Fixed-interest mortgages – one of the perks of working for the Old Lady – now look mouthwateringly attractive. The Bank's rate is a measly 5 per cent. With mortgage rates likely to leap still higher into double-digits, its employees' discomfort will surely become acute.

The Bank does not suffer alone. Cheap mortgages are commonplace among City

"I thought I'd cut out the middleman and apply for a Japanese credit card."

banks and securities houses. Many are the same institutions that have egged interest rates higher (for the sake of the UK's future prosperity, of course) to calm economic growth, control inflation and support the pound.

Red ink

■ Western journalists are always complaining, quite rightly, about the restrictions under which we operate, which might be official secrets acts, libel laws, censors, and editors who wouldn't know a story if it fell on them. We should spare a thought, however, for our colleagues in the Butere Constituency in Kenya. There, a District Officer, Mr Peter Thuo, has, according to the Daily Nation newspaper, threatened to arrest and cane any reporter who files a story from the region without his prior permission. It is unclear whether his new policy is connected with the visit to Kenya earlier this year of a Mr Bernard Ingham.

Red hot

■ Consort Hotels, which is based in York, is offering £300 a night "passion-breaks" targeted at the high-flying executive whose career is getting in the way of his love life.

Four poster beds, bedrooms with en-suite jacuzzis, candle-lit dinners and Fortnum & Mason picnic hampers are some of the attractions. "We are unashamedly out to put the fizz back into the lives of targets-chasing, high performance business people and this requires a gently flirtatious approach to weekend breaks in the future," says Consort's marketing manager Mr Martin Evans.

He was non-committal when asked whether Consort would next be offering a gigolo service for fatigued businesswomen.

Red Dane

■ If there are any Mata Haris at work in Denmark, they are advised not to count on a seductive wiggle and a smile to get them out of trouble if they fall into the clutches of the new head of the police counter-intelligence service. She is herself a woman, 49 year old Mrs Hanne Bech Hansen.

The Danish service has a good reputation with its colleagues abroad and there is every reason to suppose that it will be upheld by Mrs Bech Hansen, a career police officer with a law degree. "Very thorough" are the words of recommendation she takes with her to the service from former colleagues. Smiley would approve. Mrs Bech Hansen herself was not giving anything away. "It will be interesting work. That's all I can say."

This is certainly the first time the Danish service has been headed by a woman and the appointment is thought to be a European first.

Jurek Martin

Nick Bunker looks at the challenges facing BAT after its acquisition of Farmers Group insurance

An unslaked thirst for acquisition

L'Ermitage is one of those Beverly Hills hotels where the room rates are available only on request. It was in complex negotiations there and in the Los Angeles offices of the investment bankers, First Boston, that the largest takeover bid in the history of the US insurance industry reached its climax this week.

Just after 4 pm Pacific Coast time on Wednesday, the governors of the three mutual insurance exchanges managed by Farmers Group finally agreed to follow the group's board in accepting an increased \$5.2bn (£3bn) bid from the UK's BAT Industries. An hour later Mr Patrick Sheehy, chairman of BAT, the world's largest tobacco-based multinational, signed a definitive agreement in Farmers' Wilshire Boulevard offices with Mr Leo Denlea, his opposite number. "It was just a very much more complicated agreement than we had expected," Mr Sheehy says.

Added to BAT's UK subsidiary Eagle Star, the deal will place BAT indisputably alongside the world's biggest property/casualty insurance companies. Farmers, with 1987 property/casualty premiums of \$5.4bn, is North America's *third* biggest *motor* and household insurer.

It is not all done yet. After eight months of fighting Farmers through insurance regulatory hearings in nine states where the bid needed prior approval, BAT now has to reverse rulings against it by insurance commissioners in Idaho, Oregon and Washington and successfully pass through hearings in Kansas and Texas.

The big question, though, is how BAT will fare in the \$190bn US property/casualty market: a notoriously competitive, *business which painfully* damaged one British company, Commercial Union, twice in the last 10 years.

The downside is limited by Farmers Group's peculiar structure, which cushions it from the harsh cyclicality of most of the US property/casualty market. As the fee-remunerated manager of three mutual insurance exchanges, Farmers itself carries no underwriting risk, while the low expenses it enjoys by using a direct sales *force* of 14,000 agents has traditionally made it highly competitive on price.

A further indication of the advantages it enjoys is that while conventional US property/casualty insurers are expecting a substantially higher tax bill in 1989 as a result of the US Tax Reform Act, the corporate tax rate of Farmers is actually falling.

Yet in spite of the benefits from its structure, Farmers and its new owner will face stiff challenges. Most pressing is the threat posed to insurers in California from a wave of consumer protest over the high cost of insuring cars. In Orange County, south of Los Angeles, a middle-aged Farmers-insured driver pays \$1,100 every six months to insure a Jaguar. In central Los Angeles, the cost can be prohibitive. As a result, five referendum initiatives will *appear on the ballot* paper for this November's elections, calling for mandatory cuts of between 7 and 50 per cent.

These could have a significant impact on Farmers, the state's second largest car insurer with 11.7 per cent of the market. Business from California contributed in 1987 more than a third of its \$3.3bn of motor premiums. On a deeper level, that situation underlines an important message: that the political sensitivity of insurance in the US makes it a *fascinating*, yet treacherous business.

A second question hangs over BAT's ability to implement its strategy of expanding Farmers beyond the 26 states where it now operates, stepping up its agency force's sales of life assurance, and adding other financial services products such as loans or mutual funds. BAT will have to tread carefully to avoid interfering with the motivation of Farmers' agents, but Mr Sheehy's clear undertaking to keep Mr Denlea and his existing management in place should help.

More subtly, though, it would be wrong for BAT's shareholders to assume that in the US, as perhaps in the UK, life assurance is a healthier, more stable earnings source than property/casualty. Before the bid, BAT was advised by Conning & Company, the US stockbroker. Conning itself has pointed out that Farmers' real strength is certainly not life business. Conning calculated in April 1987 that in its two main life insurance subsidiaries – Farmers New World and Ohio State – Farmers' returns on equity averaged only 12.1 per cent from 1978 to 1985. The group average is 18.1 per cent.

This relatively poor life performance can be attributed partly to Farmers itself. Last *October, it discontinued Ohio* State's group life and health business, after suffering losses due to price competition. And it was slow to take part in the "universal life revolution" which has reshaped the US life market's products. Universal life, invented in *1979, appealed* to consumers as a savings medium because the interest rates credited to the policy's value were geared to the prevailing high rates of interest in the money markets.

By January 1984, universal life accounted for 18.9 per cent of US life business – yet Farmers failed to introduce a universal life product until later that year. It accounted for 40 per cent of Farmers' 1987 life sales, but the group has also been a laggard in developing a second-generation product, called Uniflex, now being introduced by Farmers New World.

In fact, though, there are grounds for arguing that Farmers – and BAT – would be wise not to push universal life too hard. One argument is that these universal life products have actually *reduced* life company earnings, because for competitive reasons the company can end up crediting more interest to policies than it earns on the invested assets.

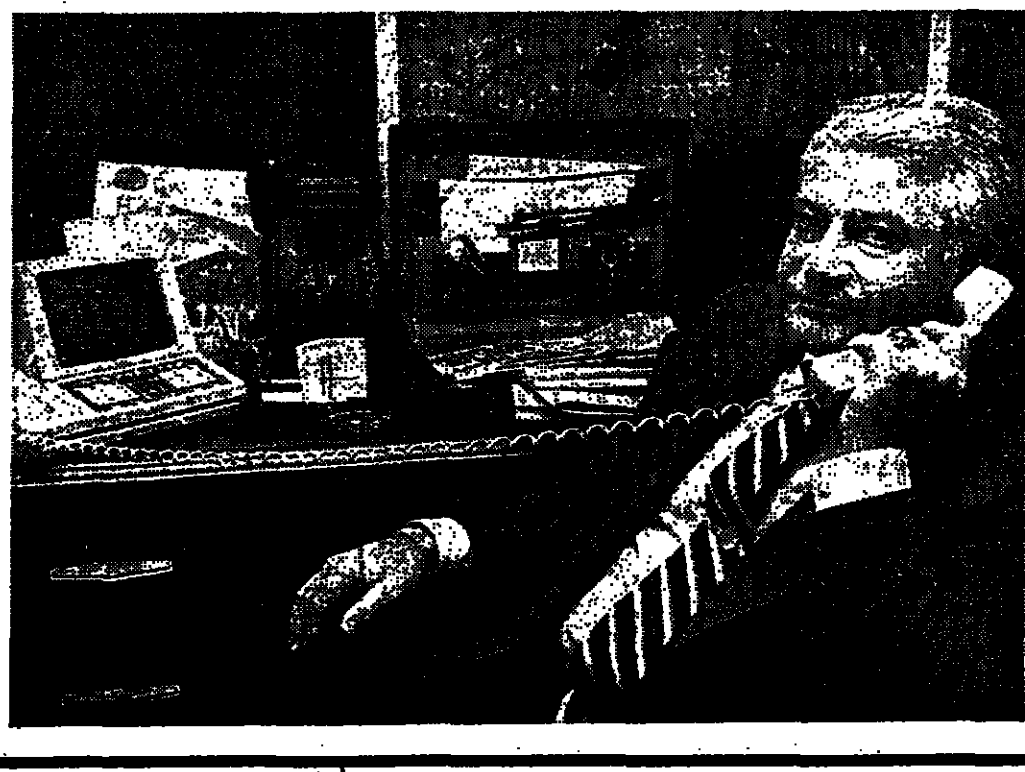
A further cautionary note about Farmers is that its structure precludes one stratagem *for making an insurer's assets* work harder to justify acquisition costs. That is to use property/casualty premium cash flow as a funding mechanism for taking big positions in the equity market. It was the lure of a captive funding mechanism which helped trigger the last takeover wave in US insurance, when big stock market investors including Mr Warren Buffett and Mr Saul Steinberg acquired insurance companies. Since the property/casualty funds and reserves of Farmers belong to the exchanges, not the group, this option is not available to BAT.

These factors, however, merely govern the rate at which BAT can accelerate Farmers' historically impressive earnings growth. None of them detract from the scale of the coup in acquiring the seventh largest property/casualty insurer in the US in a hostile bid – an unheard-of phenomenon in so conservative and regulated an industry.

One measure is that if Farmers Group's non-life premiums had been added to that of BAT's UK subsidiary Eagle Star in 1987, the combined figure would have been about £4.5bn. That makes the non-life insurance element of BAT, with Farmers, 50 per cent larger than that of Royal Insurance, hitherto the biggest UK-*based property/casualty* insurer.

Already Mr Sheehy is turning his sights across the Channel for BAT's next financial services acquisition, in the run-up to 1992 and the European Community's single market. *"The next thing will be to* build a stronger presence in Europe," he says.

Player in a difficult league



FROM THE office of Mr Leo Denlea Jr (right), chairman of Farmers Group, the windows look north to the sign saying HOLLYWOOD in huge letters on the hills above Sunset Boulevard.

The office and its view are almost the only corporate trappings which surround the man who for eight months defended the seventh biggest US property/casualty insurer against the bid from BAT Industries.

Former colleagues describe Mr Denlea – born 56 years ago in Flatbush, in the heart of Brooklyn – as extremely capable, but popular and unassuming. "He's a very solid, stable person," says Mr Bill Wood, who worked with him from 1974 to 1980 when Mr Denlea was treasurer of Pacific Lighting, which runs a big US natural gas distributor.

"He has the aura of ability and experience – but he's still a shirt-sleeves kind of guy," says one Farmers executive. One story says he likes to play basketball regularly with Farmers agents.

Clues to his professional qualities lie in his career before he joined the group seven years ago as corporate planning vice-president. Schooled in finance and accounting, he worked from 1958 to 1966 for Mobil, finishing as an assistant treasurer, then joined International Basic Economy Corporation.

IBEC was created by the late Nelson Rockefeller: Mr Denlea recalls the idea was "to prove capitalism works" by setting up Third World businesses. After that, his years at Pacific Lighting were dominated by the analysis of huge capital projects, such as a scheme to bring natural gas from Alaska to the lower 48 states.

He is, says Mr Wood, "the kind of person who could come in and take a company the way it ought to go" – explaining why he was head-hunted by Farmers. "Farmers had become inbred. A lot of questions were not being asked," Mr Denlea says. "I was to bring an aura of the outside."

Subordinates have valued his low-key solidity as he tried not to let the BAT bid obstruct Farmers' operations. Maybe those qualities stem from his upbringing: from a Roman Catholic background, Denlea was educated at Philadelphia's Villanova University, run by Augustinian Fathers. Former colleagues say his preoccupations outside Farmers are his wife Nancy and seven children.

If he were to seek another job the search might not be hard. "The view out here is that he's handled the situation pretty well," says Mr Wood. "He hasn't hurt his reputation at all."

LOMBARD

A free market fusillade

By Michael Prowse

"IT GIVES a hopelessly distorted picture of where economics is now," complains Professor Mark Blaug, the respected economic historian. He is referring to The New Palgrave Dictionary of the Economics, launched last November by Macmillan. The New Palgrave, which has already sold 7,000 copies around the world, is the most ambitious reference work on economics published this century. It is housed in four handsome volumes, contains more than four million words and costs a demanding £450. It is named after Inglis Palgrave, the editor of a renowned 19th century dictionary of political economy.

In a polemical pamphlet for the Institute for Economic Affairs*, Professor Blaug claims that the dictionary is simply another fusillade in a "Holy War" *being waged* against neo-classical or mainstream economics by those on the fringe of the profession. The New Palgrave, he says, is "Sraffian in theory and Marxian in politics." He queries the choice of editors, arguing that Macmillan might as well have asked "three atheists to edit an encyclopedia of Christianity."

Economics as a discipline has always been riven with disagreements. (Five economists can always be expected to proffer six opinions on any subject.) Yet Professor Blaug's charges should not be lightly dismissed. He is not discussing a journal article nor even a tendentious textbook. He is claiming that what is likely to become the standard reference work on economics for decades to come is biased and fundamentally misconceived. If he is right, Macmillan has made a monumental blunder – and a generation of students and teachers will pay the price.

The New Palgrave is edited by John Eatwell, Murray Milgate and Peter Newman. Professor Blaug claims that none believes in the mainstream economics taught in most UK and US universities. Not so. Mr Eatwell, who teaches at Cambridge and advises Mr Neil Kinnock, the Labour party leader, is a self-confessed disciple of Piero Sraffa, the unorthodox Italian theorist who was certainly a strong critic of the neo-classical approach. Mr Milgate of Harvard University is also a Sraffian sympathiser. But Mr Newman, of Johns Hopkins University, says he believes "neo-classical economics is the only game in town." He taught Nigel Lawson, UK Chancellor, when Mr Lawson was at Oxford; and has been a colleague of Sir Alan Walters for 12 years.

That said, Macmillan has obviously not achieved an ideal balance in its choice of editors. Sraffian economics is very much a minority taste. The issue is whether the editors have allowed their personal views to colour the product. Mark Blaug says they have – and he claims he has read the dictionary from cover to cover. Mr Eatwell strenuously denies the charge, pointing out that the entries were written by more than 900 different *economists. No more* than an eighth of the articles have a Marxian or Sraffian slant. Indeed Professor Blaug himself contributed eight entries, including an important assessment of classical economics.

The difficulty in assessing the charge of bias is that individual articles are not intended to be balanced. A sympathetic account of Marxian economics is countered not by a critique of Marx, but by a sympathetic account of some other point of view, such as Austrian economics. The view taken is that readers should be left to decide which approach they find most appealing.

It is the determination to put all ideologies on an equal footing that has enraged the Institute for Economic Affairs. After all, if you know that free market economics is "right," it must be infuriating to see space wasted on theories that are "wrong." The New Palgrave has many faults: the technical demands it makes on readers often seem excessive and the choice of items is eccentric to say the least (what is an article on entropy doing in an economics dictionary?). But the charge of bias tells us more about the IEA than it does about Messrs Eatwell, Milgate and Newman.

** Economics through the Looking Glass, 2 Lord North Street, London, £3.50*

LETTERS

Deficit can bring no joy to anyone

From Mr Chris Smith MP.

Sir, The news of another record monthly deficit in Britain's balance of payments can bring no joy to anyone, and least of all to the Chancellor of the Exchequer. For it reveals dramatically how misdirected were the decisions he took in drawing up his Budget six months ago. By opting for tax cuts and for boosting consumption rather than investment, he quite deliberately pushed the economy deeper into difficulty.

In the debate immediately following the Budget, I chided Mr Lawson for lack of prudence. Speaking from the Opposition front bench, I said:

"The Chancellor . . .should have decided to make his Budget choices in ways best designed to encourage and stimulate exports, not to suck in imports: yet he has done precisely the opposite. The Budget has been designed to fuel personal consumption of durables, which has the highest import content of economic activity."

The Chancellor made the wrong decisions then; he is making the wrong decisions now, relying solely on interest rates to control growth. In the light of these latest, desperately worrying figures, he needs to sit down and re-think.

Chris Smith,
Opposition Spokesman on Treasury and Economic Affairs,
House of Commons, SW1

Takeover battlefields re-thought

From Mr Andrew Campbell, Dr Nigel Campbell and Professor Charles Baden-Fuller.

Sir, "New target for UK takeovers" (Leader, August 23) fails to capture the true strategic issues for UK firms in Europe. In discussing the need for European acquisitions by UK companies, you argue that companies should develop their European acquisitions strategy around a search for "genuine economies of scale or other synergies which enhance competitiveness."

Years of research and experience with acquisitions have shown these three truths:

First, that managers keen to make acquisitions have an unlimited array of potential synergies that they can claim will result. (Think of the claims made by British Aerospace about the Rover Group.)

Second, synergies are often not realisable in practice. (Remember Dunlop and Pirelli.)

Third, once the competitive battle is sufficiently clear that managers can be confident about the synergies, *it is too* late. Other competitors are already ahead and any acquisition candidates will be heavily over priced. (Look at the price paid for Rowntrees by Nestlé.)

In practice, therefore, managers need another guide to decision making. The answer lies in a fundamental re-think of the battle a company faces.

The first issue concerns definition of the *battlefield. How* broad or how narrow is the battle going to be fought in the future? Is the domestic appliance battlefield, fundamentally, going to be a world-wide battle – as Electrolux and Whirlpool appear to believe – or is it a domestic market battle, as Hotpoint appears to believe; and as an analysis of the current competitive forces would lead us to conclude?* If you are Hotpoint you need to decide whether you will have to compete on a British, European or world battlefield to survive in the year 2000, let alone 1992.

The second issue concerns deciding what the source of competitive advantage is going to be in the battle you have defined. In domestic appliances, is it going to be brand, *or distribution*, or technology, or economics of scale, or product range, or a combination of these?

The answers to these two questions will then define the appropriate acquisition strategy. It will be easy to identify candidates that are likely to enhance competitiveness. And it will be possible to make the acquisition before the synergy *opportunity is obvious to all.*

Hence we see Whirlpool do a deal with Phillips on the assumption that domestic appliances are going to be a world battlefield fought with Electrolux on technology and distribution. And we see Hotpoint acquire Creda on the assumption that the battle will be a domestic one based on product range, distribution and low cost manufacturing.

Andrew Campbell,
Ashridge Strategic Management Centre,
Nigel Campbell,
Manchester Business School,
Charles Baden-Fuller,
School of Management, University of Bath.

**Global or National? An examination of strategy choice and performance in the European White Goods Industry: Working paper 28; Centre for Business Strategy; London Business School.*

Two part harmony can turn discordant

From Mr C.A. Park.

Sir, After enduring the new-style Financial Times for a fortnight in the hope that I would come to love it, I feel I must write to you to tell you that my irritation has not diminished.

I accept that there is a case for a two part newspaper on Saturday, but I wish that on that day all the financial comment – that is to say, pages II and III – were contained in the main section of the newspaper, with the Weekend FT section confined to Finance and the Family, property, the arts and sport.

I can see no case at all for splitting the newspaper on normal working days. I may be wrong, but I have always regarded the Financial Times an an essential aid for those who work in the securities industry. Why should such readers have to look in the supplement for company news, and then refer to the main body of the newspaper for the Lex comment? (I am constantly having to refer to the FT throughout the day – and invariably I pick up the wrong half.)

I have canvassed the view of a number of my colleagues, who without exception prefer the old format. One of them even suggested that I write this letter in two parts, but I felt that you might regard this as putting a frivolous face on what I hope you will accept as a serious criticism.

C.A. Park,
The Mill House,
Bradfield,
Manningtree, Essex

From Mr R.M. Dunlop.

Sir, Dividing the newspaper into a news section and a companies and market section is a tremendous improvement. It makes both parts of the paper much easier to read and refer to.

Please don't change back.

R.M. Dunlop,
Locker Wire Weavers,
PO Box 161,
Church Street,
Warrington, Cheshire

The deal struck on the carve-up of Europe

From Mr D.J. Booth.

Sir, Your second leader (August 17) on the Stalin deal in 1944 is welcome. Teachers of the post-1945 period have often preferred the pragmatic stability, established with Stalin as of greater significance than other, later, issues.

However, the recorded accuracy of that "deal" is missing.

I refer to pages 198-9 of the first edition of volume VI of Winston S. Churchill's book The Second World War.

The meeting between Churchill and Stalin took place on October 9 1944, in Moscow. Roosevelt, then the US President, was told on October 10.

The pencilled division of influence was to be:

Romania: Russia 90 per cent, others 10 per cent; Greece: UK (and the US) 90 per cent, Russia 10 per cent; Yugoslavia and Hungary: 50/50 per cent; Bulgaria: Russia 75 per cent, others 25 per cent.

Churchill then observed: "Let us burn the paper." "No," said Stalin, "You keep it."

This was endorsed at Yalta.

D.J. Booth
4a Lawn Road,
Lymington, Hampshire

FINANCIAL TIMES
Friday August 26 1988

Japan whets its appetite in Mexico

David Gardner examines the trans-Pacific link

WHEN a Japanese *sensei* from Kyoto performed the tea ceremony before the Virgin of Guadalupe, Mexico's patron, a remarkable cultural fusion was taking place. On the same day Prince Norihiko Takamodo planted a cherry tree near the basilica.

This was all part of the ceremonial commemoration last year of 90 years of Japanese immigration to Mexico. Last week the centenary of the treaty of friendship and commerce between the two nations was marked by a visit from Mr Sousuke Uno, the Japanese Foreign Minister.

Protocol and the two nations' vivid sense of precedent aside, the visit underscores Japanese and Mexican interest in greatly strengthening their already fast-growing links in trade and investment.

The pattern of Japan's growing involvement with Mexico exhibits the sort of strategic, long-term thinking which the US has found difficult to apply to what it traditionally has regarded as an unruly southern neighbour.

For its part, Mexico, always suspicious of foreign involvement in its economy, has precisely for this reason welcomed closer links with the discreet Japanese to reduce dependence on the US, by far its largest trading and investment partner.

The growing Japanese stake in Mexico would be inaccurately measured by direct investment alone, which amounts to only $1.3bn, or 7 per cent of total foreign investment, two-thirds of which is American.

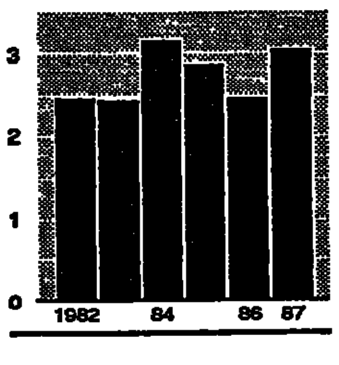
Japan is Mexico's second-largest trading partner, with which it has registered a surplus since 1982. At the same time, Japanese banks are owed 18 per cent of Mexico's $103bn foreign debt, making them the country's second-largest group of creditors after the US banks.

Yet the Japanese banks committed more money to the $7.7bn credit for Mexico last year than they were obliged to in proportion to their existing exposure, and Tokyo's Eximbank pitched in a further $1bn now being used in project finance.

This last loan offered the clearest indication of Japanese intentions. Half of it is being used to finish an oil pipeline from the Gulf port of Coatzocoalcos – near Mexico's richest offshore oil *fields* – to the Pacific port of Salina Cruz, and to increase threefold storage and loading facilities at both ends. Japan has an agreement with Mexico to import 180,000 barrels a day.

A second tranche of $250m is being deployed further up the Pacific coast at the port of Lazaro Cardenas, to finish the giant Sicartsa steel manufacturing complex.

Japan - Mexico Trade
Total Imports plus Exports ($bn)



These projects, reflecting Japanese concern to secure long-term supplies of raw materials, are on the south Pacific coastline, but the overall Japanese strategy towards Mexico is best perceived further north in southern California.

There Japanese businesses have invested by local estimates about $5bn, a good deal of it linked to the booming "in-bond" assembly, or *maquiladora* industries just over the border in Mexico.

Companies such as Sanyo, Sony, Hitachi and Matsushita have set up huge plants in Tijuana, often linked to twin plants on the US side, to take advantage of the *maquila* programme which allows the duty-free import into Mexico of raw materials, which are assembled and then re-exported, with duty paid on re-entry into the US only on the added value.

At less than a dollar an hour, Mexican labour is incomparably cheap in yen, while *maquila* produce does not show up in Japan's sensitive trade surplus with the US. About half of the two dozen Japanese companies on the border, furthermore, financed their investment cheaply through debt-swaps, buying sovereign Mexican debt at a sharp discount and redeeming it in Mexico at near the face value but in pesos.

The sheer concentration of Japan Inc. in Tijuana-San Diego has begun pulling in big suppliers such as Nishiba and CMK, while one in five *maquila* workers in Tijuana now has a Japanese employer.

The Japanese presence in fiercely regionalist Baja California has grown fast but apparently painlessly. According to diplomats and *maquila* industrialists, however, Japanese concern about growing conspicuousness in Tijuana has led several companies to fan out along the border, in particular to Ciudad Juarez, bordering El Paso, Texas, where Toshiba, Seiko and Citizen have recently located facilities.

By an historical irony, Juarez could now become an especially favoured Japanese location because of a railway link built by the US during the Second World War to guard against a possible Japanese blockade of San Diego, its key Pacific seaboard naval port. This line runs 960km from El Paso to the Pacific, but stops just 4km short of the natural deep-water port of Topolobampo in Sinaloa.

The Government of Sinaloa is now completing this link and, with federal aid, is modernising the port and building a 50,000 hectare landfill alongside it – prime industrial parkland. A mixture of Japanese-related interests had already modernised a fourth Pacific port in Guaymas, Sonora. This was initially linked to the new $500m Ford plant in nearby Hermosillo – Japanese to the extent that it makes Mazda sub-compacts.

But Sonora also contains about 5 per cent of world copper reserves in two mines, Cananea and La Caridad, which the Government has unsuccessfully tried to privatise. Japanese interests long ago offered to build a modern smelter in Sonora and, as part of their concern for secure raw materials, continue to express discreet interest in participating in Mexico's copper industry, if not through ownership then by commercialising the produce.

THE LEX COLUMN

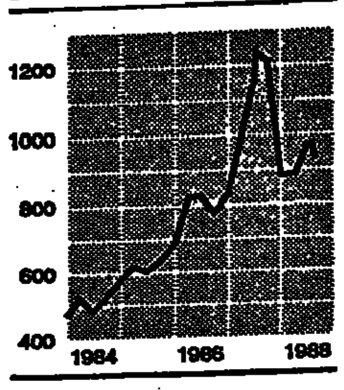
A gap too wide for bridging

There is only one way of describing the UK's July trade deficit – horrendous. Just seven months into the year and the deficit is standing at £8bn, and the full year figure – as a percentage of GDP – looks on target to be the worst since the 1930's. The gilt-edged market may well have its reasons for behaving as if there is nothing to be worried about, but the reaction of the equity market was far more predictable. It would have been very foolish not to be worried *by* yesterday's news.

The deteriorating trends have been visible in the UK for some time – a worsening balance of payments position and rising inflation. Throw in yesterday's rise in UK base rates with further evidence of monetary tightening on the Continent, and the stage is being set for a fairly substantial slowdown in world economic growth. These elements are not new, but it needed the sheer size of the latest UK trade deficit and the full point rise in base rates to puncture the rather bullish sentiment which had pushed UK equities to new post-crash highs less than three weeks ago.

Leaving aside the little problem of what all this means for sterling in the long term, the immediate response of the gilts market can perhaps be explained away by technical factors, such as the decline in the national debt, coupled with encouragement at the authorities' firm resolve to conquer inflation. However, the equity market cannot afford to be so sanguine. The fear is that the bigger the problem, the more dramatic the response, and a 60 per cent rise in base rates in less than three months is fairly dramatic, especially when no one has any confidence as to how high UK rates must go to choke off the consumer spending boom. The Chancellor is showing no signs of being panicked into taking any fiscal action, and while it may all end happily the odds are shortening. The equity market is right to be concerned about the dangers of monetary overkill.

FT-A All-Share Index



Ladbroke

Having got the trade figures more than 100 per cent wrong, the market could be forgiven for feeling pleased that it only underestimated Ladbroke's profits by a mere 20 or 25 per cent. No doubt Cyril Stein expected more for the unforseen £20m-odd in profits than a 1 per cent rise in the share price. But on a day like yesterday, even standing still is getting ahead; and Ladbroke's 23 per cent outperformance over the past year will have been bettered by yesterday's showing.

Given the strong performance of Hilton International in yesterday's interim results, there could be more to come. Ladbroke bought the chain 10 months ago for a cool 33 times historic earnings. By the end of this year, that multiple should have fallen by more than half; thereafter, Ladbroke forecasts a geometric progression in Hilton's profits – $100m this year, $150m next, $200m the year after, $300m in 1991 – which is slick but perfectly plausible. With GrandMet expecting £1.5bn for Inter-Continental, Hilton for $1bn is looking like money well spent. Meanwhile DIY and betting are strong – and likely to remain so even if interest rates cramp other forms of consumer spending – leaving Ladbroke on a premium p/e of 12 times this year's earnings, probably no more than is deserved and quite possibly less.

Market makers

The outraged cry that went up from market makers yesterday at *Citicorp Scrimgeour* Vickers' extraordinarily ill-timed move to cut dealing spreads may not have gone down well with the institutions. They have long felt aggrieved that spreads have been stuck at levels higher even than before Big Bang, and will welcome any signs of the competition which that reform was meant to be all about. However, in time they may find Citicorp's move is not the good news it now seems; and they should make the most of some of the cheapest dealing costs ever, while they last.

With most market makers barely able to scratch a living as it is, it is hard to see how they will survive with spreads some 40 per cent lower. The problem – too many market makers and not nearly enough volume – would go away if the cut in costs brought about a similar rise in volumes. However, this seems most unlikely. Even though volume has sometimes proved sensitive to changes in dealing costs, what now seems to be holding the institutions back is not the cost of dealing, but frayed nerves post-crash. A few hairy trading days like yesterday surely do more to dampen activity than slightly lower costs do to increase it.

Some scared market makers consoled themselves yesterday with the image of Scrimgeour Vickers as a dying man going through death throes. A better comparison might be a desperate man with a gun. If it wanted to, *Citicorp* could finance a price war for as long as it took to make some of its weaker rivals surrender.

BAT/Farmers

Any deal which looks as good at eight o'clock in the morning as at midnight the night before probably stands a good chance of weathering the future with *distinction*. And although eight months of focusing on the fine print of legal depositions might well have blurred the vision of the lawyers, BAT's management clearly knew a sensible price when it saw one and should walk away with Farmers for only 14 times next year's earnings. At least in theory, even the most obscure of state insurance regulators could still halt the deal; but it seems likely that in the comfortable world of US insurance regulation, the wishes of Farmers' management will have a certain persuasive power with the commissioners.

BAT's hopes for increasing the productivity of Farmers' *14,000 agents could well prove* deceptive: Farmers is not Eagle Star, after all, and BAT has no US insurance experience. And people power could yet lead to a sharp reduction in motor premiums in California, Farmers' largest market. But reducing the group's dependence on tobacco without diluting earnings is the sort of move which the market has long demanded of BAT. Yesterday's market had other things on its mind; but when it wakes to the reality of a stock on a p/e of just over six times next year's earnings, and yielding over 7 per cent, it may wish to think again.

Historic Lisbon devastated by fire

By Diana Smith in Lisbon

A THICK PALL of smoke hung over Lisbon's historic centre area yesterday as firemen fought the worst fire since the 1755 earthquake, tidal wave and fire which destroyed most of the city.

Two people died and at least 30 were treated in hospital. Nineteenth century buildings, including historic musical archives in the maze of department stores, boutiques, offices, restaurants and cafes that make up the Chiado, Lisbon's equivalent of Bond Street in London, burned to the ground.

Trade unions report that 2,000 jobs vanished with the destruction of workplaces. Several hundred people who lived in unsafe old buildings above commercial establishments lost their homes and possessions.

Initial estimates suggest Es35bn ($226m) of commercial and private losses.

The fire began at 5am in Grandela, Lisbon's biggest department store which sprawls between the Rua do Ouro, where headquarters of Portugal's biggest banks narrowly escaped damage, and the pedestrian mall of the Rua do Carmo, now a charred ruin.

Because the first firemen on the scene had no access to water and could not get their equipment into a narrow mall, the blaze spread rapidly to Grandela's neighbour, Grandes Armazens do Chiado, a department store owned by the same company. Although they could not immedately confirm it, the authorities suspect arson.

The age of Chiado buildings and general lack of fire precautions helped the fire to spread over five streets before firemen began to bring it under control in the afternoon.


Young Burmese in Rangoon yesterday with placards supporting their calls for democracy

Burmese press their demands

By Richard Gourlay in Bangkok

DEMONSTRATORS in Burma yesterday showed no sign of relaxing their calls for immediate democracy and appeared to reject proposals put forward by President Maung Maung on Wednesday for the party to lead the country back to multi-party democracy. Another huge rally was called for Rangoon today.

"The protestors think they have won half the battle: they think the party is already dead," a Rangoon-based diplomat said, referring to the Burma Socialist Programme Party which has run the country for 26 years.

"Now they want to scrap the constitution," he added. Yesterday, the Government released U Aung Gyi, a leading dissident and possible opposition leader, along with 10 others who were imprisoned in late July for alleged crimes against the state.

President Maung Maung has called a special party meeting for September 12 to consider holding a referendum on multi-party democracy and promised that he and the executive committee would resign if the proposal was rejected.

"We will not be stubborn any more," U Maung Maung said. "We want liberty, peace and civility."

Diplomats in Rangoon said U Maung Maung had recognised that he had to give up power, after less than a week in the job, and that he appeared to be doing all he could constitutionally to wind up the party.

However, the jubilant protesters who swept through Rangoon and other cities seemed unprepared to accept a slow transition. "They want a military coup to scrap the constitution – there is really no other body, other than the army, which can do that," a diplomat said. He added that the military which returned to barracks when martial law was lifted on Wednesday, appeared to have lost the stomach for shooting unarmed people.

U Aung Gyi was greeted with tumultuous applause at a rally which he addressed in a working-class district of Rangoon shortly after he was released.

His is one three names tipped to head an almost totally disorganised opposition should the ruling party fall. The others are U Nu, the country's first president who is now in his eighties and who has spent the past few years translating Burmese Buddhist teachings into English – and Aung San Suu Kyi, the daughter of a man considered the father of the nation who was assassinated only months before independence from British rule.

Aung San Suu Kyi will address what is expected to be another massive rally near her father's statue today.

"It is rather like the amosphere before electricity was invented: vivid, exciting, euphoric but there is a caution hanging over it," a diplomat said.

With all indications that civil control is breaking down in Rangoon and other towns in Burma, people were slightly apprehensive that anarchy might not be not far away.

Polish riot police storm strikebound coal mines

By Leslie Colitt in Warsaw

POLISH RIOT police stormed four strikebound coal mines in Silesia on Wednesday night and yesterday, reducing to six the number where miners were still on strike, the official Polish news agency PAP said last night.

Zomo police units wielding truncheons ended strikes in the coal-mines of Jastrzebie, where miners had held out since August 15, demanding higher wages and legalisation of the outlawed Solidarity union. The riot police were aided by a helicopter which directed its searchlight into the mine shafts.

Some miners said afterwards that the men gave up without resisting, but vowed there would be another round of strikes in a few months. Nearly 500 workers at Poland's largest oil refinery in Plock threatened *to go out on strike* if the authorities continued to use force to end the labour unrest.

But in a conciliatory move, a 12-man strike committee representing nearly 2,000 striking dockers and transport workers in the port of Szczechin agreed to begin negotiations with management yesterday evening. They dropped their demand to reinstate Solidarity and the talks were seen as potentially significant because the strikes began simultaneously in Szczechin and Jastrzebie.

The strike in the Lenin shipyard in Gdansk, home of Solidarity, waned further as the strike committee permitted work to resume on two ships, one of them ordered by the Soviet Union. Workers wearing red-and-white Solidarity armbands could be seen welding steel plates on the vessels.

"The strike situation is wavering," Mr Adam Michnik, a leading Solidarity adviser, said in the rectory of St Brygida's Church in Gdansk.

A first indirect contact between the authorities and Mr Lech Walesa, the Solidarity leader who is inside the shipyard, also took place yesterday. Mr Andrzej Stelmachowski, the Roman Catholic legal expert who was a go-between in the strikes last May, met Mr Walesa after talking with undisclosed senior Polish officials in Warsaw.

Mr Erwin Plichcinski, a government planning commission expert on economic reforms, noted in an interview yesterday that he believed both the leadership and the opposition were now more likely to open a dialogue on political and economic reforms after the strikes had ended.

"People don't like the strikes, but they also don't like the Government and its work," he said. The Polish official is a personal adviser to Prof Zdislaw Sadowski, the Deputy Prime Minister in charge of the economic reform programme.

Mr Plichcinski admitted that the Government had made a serious mistake by introducing massive price rises last February which triggered the strikes in May and the latest work stoppages, which are the most serious since 1981.

BAT acquires Farmers

Continued from Page 1

The hardest task may be in Oregon, where Mr Theodore Kulongoski, the commissioner, rejected the acquisition on virtually every count possible.

"We will just have to approach Mr Kulongoski with Farmers. Providing we do that, we are reasonably confident that he will change his mind," Mr Sheehy said.

BAT's share price closed down 2p at 434p in London last night. The deal is expected to raise its net debt-equity ratio to 75 per cent. Assuming after-tax earnings for Farmers of $366m in 1989, the tobacco element in BAT's 1989 earnings could fall to 63 per cent next year, before dropping more substantially in the 1990s as BAT repays loan finance for the acquisition.

The bid represented the boldest move to date in BAT's strategy of adding financial services as a "fourth leg"

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	26	79	Dubrovnik	F	26	79	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	33	91	Edinburgh	C	17	63	Manchester	C	13	55	Rio de J'o	F	33	91
Amsterdam	R	16	61	Faro	S	32	90	Manila	C	33	91	Rome	F	29	84
Athens	F	35	95	Florence	C	19	66	Melbourne	F	17	63	Salzburg	R	15	59
Bahrain	S	36	97	Frankfurt	R	20	68	Mexico City	F	26	79	San Francisco	F	27	80
Bangkok	F	32	90	Funchal	S	24	75	Miami	C	31	87	Seoul	F	29	84
Barcelona	F	27	81	Geneva	C	16	61	Milan	F	24	75	Singapore	C	29	84
Beirut	-	-	-	Gibraltar	S	26	79	Montreal	R	16	61	Stockholm	F	21	70
Belfast	C	13	55	Glasgow	R	16	61	Moscow	F	28	82	Strasbourg	C	15	59
Belgrade	S	26	79	Guernsey	C	15	59	Munich	C	13	55	Sydney	F	18	64
Berlin	R	16	61	Helsinki	F	19	66	Nairobi	R	14	57	Taipei	F	35	95
Biarritz	C	20	68	H. Kong	F	30	86	Naples	C	24	75	Tangier	S	32	90
Bombay	F	30	86	Innsbruck	R	17	63	Nassau	F	33	91	Tel Aviv	S	32	90
Bordeaux	C	19	66	Inverness	R	13	55	New Delhi	C	31	88	Tenerife	S	25	77
Brussels	R	15	59	Islamabad	C	33	92	New York	C	24	75	Tokyo	C	30	86
Budapest	F	20	68	Istanbul	F	29	84	Nice	S	25	77	Toronto	R	24	75
B. Aires	C	19	66	Jakarta	F	32	90	Nicosia	F	38	100	Tunis	S	28	82
Cairo	F	36	97	Jersey	F	18	64	Oporto	S	23	73	Valencia	S	29	84
Cape Town	S	19	66	Jo'burg	C	19	66	Oslo	C	17	63	Venice	F	23	73
Caracas	C	26	79	Lima	R	17	63	Paris	C	21	70	Vienna	T	20	68
Casablanca	S	27	81	Lisbon	F	27	81	Peking	S	28	82	Warsaw	F	21	70
Chicago	F	17	63	London	F	19	66	Prague	F	15	59	Washington	-	-	-
Cologne	F	17	63	Los Angeles	C	27	80	Reykjavik	S	11	52	Zurich	F	15	59
Copenhagen	S	18	64	Luxembourg	F	15	59								
Corfu	S	29	84	Madrid	S	29	84								
Dallas	F	24	75	Majorca	F	29	84								
Dublin	C	15	59	Malaga	S	32	90								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK acts on record deficit

Continued from Page 1

It recovered after the rise in interest rates to close unchanged on the day, on a trade-weighted basis.

Share prices, however, closed sharply lower. The FT-SE 100 Share Index closed 39 lower at 1,780.2 and the FT Ordinary Index closed 34.9 lower at 1,432.6. Prices for long-dated gilt-edged securities *recovered early losses to close* ⅝ of a point lower at a yield 9.8 per cent.

Mr Lawson said that the trade figures were "very unwelcome." He said they indicated that "the economy has been going ahead too fast" and that it was "necessary to apply the brakes" through a rise in interest rates. He ruled out a mini-budget saying: "I've always stuck to the statutory rule of having one budget a year in the spring."

Mr Lawson stressed, however, that the UK economy was doing "exceptionally well." Unemployment was falling fast, investment was rising rapidly, manufacturing industry was doing well and productivity "outstandingly well," he said.

Mr Neil Kinnock, the Labour leader, accused Mr Lawson of "complacency on an epic scale" and claimed higher interest rates would compound the problem by harming industrial investment while having little effect on consumer demand.

The shadow Chancellor, Mr John Smith, blamed the trade figures on Mr Lawson's budget "misjudgment" in implement*ing tax cuts which had stoked* up a credit boom.

The Treasury said that higher interest rates would have the effect of reining in consumer spending and that this would lead to a necessary slowdown in the economy and also, in time, help correct the trade deficit.

In July, Britain had an excess of imports of goods over exports of £2.65bn. Although the volume of non-oil exports excluding erratic items grew at an healthy annual rate of 5.5 per cent in the three months to July, the volume of imports rose at an annual rate of 16 per cent.

This resulted in a £1bn jump in the value of imports in July alone and was the main reason for the dramatic rise in the current account deficit.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 26 1988

INSIDE

Romiti brushes up his media image

FIAT A characteristically vigorous, if somewhat defensive, account of the leap made by Fiat from the brink of failure to the successes of the last few years is detailed by the Italian motor group's managing director, Mr Cesare Romiti, in a frank book. This is intended to correct his media image as a "man obsessed with work, an extreme believer in the importance of the corporate sector, a Caesar who always wants to win." Page 19

Foreigners take stock of London

Turnover in foreign stocks traded in London appears to be staging a qualified recovery from the October crash. Average daily turnover of international equities on the International Stock Exchange picked up to £348m ($584.6m) during the second quarter to June amid signs of increasing market liquidity. But from a dealers viewpoint, the picture is gloomy. Page 36

Sweet and sour Caribbean

The beleaguered sugar producers of the Caribbean are only slightly heartened by the decision of the US to raise export quotas this year. Underpinning their lukewarm response is an inability to plan future production levels at a time when many are making a commitment to diversify out of the crop. Sugar prices are "currently insufficient to cover the cost of efficient production," according to a recent report by the Caribbean Development Bank. Page 32

Sigoloff's supply of surprises

Mr Sanford Sigoloff's announcement of a leveraged buyout offer for Wickes is just the latest in a series of surprises the group's chairman has sprung on investors. In the last six years he has engaged in a series of acquisitions and divestments which have transformed the US concern into one of the world's largest and technically advanced suppliers of automobile parts, the biggest maker of wall coverings and one of the leading home improvements and furnishings retailers in the US. Page 18

Bright showing by Emess

In the latest move in Emess' international expansion, the UK lighting fixtures and electrical accessories group has doubled to 54 per cent its stake in Brillanleuchten, the West German decorative lighting concern. At home, interim results showed the group's profits had climbed 78 per cent to £4.5m ($7.56m). Chairman Michael Meyer (left) noted the UK accessories market was due for a major re-alignment. "We intend to play a prominent part in this," he added. Page 21

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm)

Rises			
Commerzbank	225	+	2.9
Dresdner Bk.	256.8	+	3.6
Bayer. Hypo.	387.5	+	3.5
MAN	201.9	+	1.5
Falls			
Nixdorf	419.6	–	6.5
Schering	498	–	6

PARIS (Frs)

Rises			
Majorette	214	+	13.5
Essilor	1098	+	48
Falls			
B.P. France	98	–	5.5
UCB	168.5	–	9.5
Soc. Gen.	385	–	22
Arjomari Pr.	2056	–	96

NEW YORK ($) at 12.30

Rises			
Fruehauf B	4½	+	1
Falls			
Alum.Co.Am.	49⅝	–	⅝
Am. Express	26⅛	–	⅝
Gen.Elect.	38⅝	–	¼
IBM	111	–	1
USX	27¼	–	⅞

TOKYO (Yen)

Rises			
Nippon Tel	2420	+	160
Mitsui Real	2450	+	140
Tokyu	1709	+	90
Falls			
Shin-Kaisei	1500	–	80
Fuji Heavy	836	–	34
Hattori	2070	–	80

LONDON (Pence)

Rises			
AGB Res.	190	+	3
Boddingtons Brew.	170	+	1
Dalepak Foods	95	+	5
Irish Dist.	341	+	2
Ladbroke	452	+	5
Sears	144½	+	7½
Falls			
Brit. Aerospace	498	–	16
Brit. Gas	175½	–	5½
Brit. Land	318	–	13
BP (part-pd)	142½	–	6
Blue Circle	440	–	18
Courtaulds	323	–	12
Emess	468	–	7
Enterprise Oil	447	–	20
Hartwell	121	–	7
Ibstock Johnsen	173	–	17
Inchcape	211	–	10
Intl City Hldgs	120	–	11
Land Securit.	539	–	14
Lucas	537	–	10
Polly Peck	300	–	11
Rothmans "B"	423	–	11
Shell Trans.	998	–	27
Tarmac	232½	–	11½
Ultramar	251	–	19

News Corp lifts earnings 26.8% to top A$464m

By Chris Sherwell in Sydney

MR RUPERT MURDOCH'S News Corporation yesterday reported a 26.8 per cent increase in equity-accounted net earnings for the year to June, helped by a doubling of profits in its Australian home base and hefty gains from foreign exchange dealing.

The results, which were described as a record for the seventh year in a row, reflect the complexity of the News group's television, newspapers and publishing interests in the US, the UK and Australasia.

Pre-tax operating profit for the group actually fell to A$475.4m (US$387.3m) from A$497.5m. But on an equity-accounted basis and after tax earnings were A$464.5m, up from A$366.4m.

Total revenues increased 13.2 per cent to A$6.02bn. Rises in both the UK (24.3 per cent to A$1.69bn) and Australasia (61.3 per cent to A$1.79bn) were countered by a fall in the US (down 10.9 per cent to A$2.5bn).

Figures for profit from trading operations before interest showed increases from all three areas. In Australasia these were up 2.1 times to A$240.5m, chiefly as a result of acquisitions. UK earnings rose to A$376.1m from A$336.3m, while US profits increased to A$413.4m from A$396.8m.

In sterling terms, News International, the British unit which publishes The Times newspapers, the Sun and News of the World, showed a 20.9 per cent decline in pre-tax profits to £88.2m ($148.1m) from £111.5m.

This followed a near-trebling in net interest outgoings to £61.8m from £21.1m because of acquisitions, in particular a 20.5 per cent stake in Pearson, the UK information conglomerate which owns the Financial Times. News International emphasised yesterday that operating profits before interest had increased from £132.6m to nearly £150m.

For News Corporation as a whole, foreign exchange gains amounted to A$86.1m, a dramatic increase on the previous year's figure of A$1.5m. But News said these were partly offset by higher interest expenses of A$579.4m, up from A$390.4m, and by reduced dividend income of A$24.9m, down from A$40.7m.

The increase in interest expenses was itself partly offset by a A$97m reduction in preference dividends, reflecting the repayment of preference shares issued when Mr Murdoch acquired Fox Television Stations.

Extraordinary items added only A$7.2m to overall profits, chiefly because of a A$136.9m charge attributed to new business start-up and termination costs. Most of this went on Fox Broadcasting, Mr Murdoch's US television network. By contrast, last year's accounts showed extraordinary gains of A$460m. As a consequence, this year's bottom line, at A$471.7m, is substantially lower than the 1986-87 figure of A$826.4m.

News said the A$144m contribution to pre-tax profits from associated companies came mainly from its equity share of profits from Ansett Transport Industries in Australia (owned jointly with Sir Peter Abeles' TNT group) and from publishers Harper and Row and William Collins.

The US$3bn plan to acquire Triangle Publications in the US, publisher of TV Guide, was announced after the year-end.

A final dividend of 5 cents makes 9 cents in total for the year compared with 7 cents. The payout amounts to A$24m against A$18.6m.

Dutch move over bid barriers sparks row

By Laura Raun in Amsterdam

CONTROVERSY over efforts to curb notorious Dutch anti-takeover devices flared yesterday following a statement from the Federation of Netherlands Industry, the largest Dutch employers association, supporting such corporate defences.

The Amsterdam Stock Exchange, which has been trying to limit anti-bid devices, said yesterday that it was still studying the divisive issue in the light of comments made by all parties, including the federation.

In a strongly worded statement issued this week, the federation argued that the Netherlands' corporate defences were in keeping with international practice and served the best interests of companies. It said the stock exchange's efforts to limit the number and kind of defences should be viewed with "necessary scepticism."

The exchange boldly announced plans to limit to two the number of defences a company could put in place. But it was forced to suspend the plans to introduce this on July 1 by vigorous opposition.

Listed companies have formed a new association whose primary task is to preserve the status quo.

The European Commission is trying to fashion a general merger code to provide a more level field for all 12 member countries. The federation argues that the Netherlands should wait for Brussels and not race ahead.

Among the most popular defensive weapons are the placement of preferred shares in management-friendly foundations, share certificates without voting rights and limited voting rights.

Dutch companies also incorporate themselves in such a way that supervisory and management boards wield enormous power, leaving shareholders with few rights.

The industry federation argues that anti-takeover defences promote the efficient formation of capital because they give sitting management more time to consider hostile bids. Companies in other countries, including the UK, enjoy governmental and informal protection that is lacking in the Netherlands.

The federation also contends that the traditionally low price/earnings ratios on the Amsterdam Stock Exchange are due to other factors besides excessive protection for encumbent management. Among them are years of relatively slow economic growth in the Netherlands.

Ultramar acquisition doubles N Sea assets

By Steven Butler in London

ULTRAMAR, the independent UK oil company, yesterday joined the growing list of oil companies that have recently bought big parcels of North Sea assets, spending £111.6m ($187.4) for Blackfriars Oil & Gas, the oil exploration and production subsidiary of Associated Newspapers Holdings.

In addition, Ultramar will assume £31.4m of Blackfriars' net liabilities.

The acquisition roughly doubles the existing UK acreage of Ultramar, whose business spans the globe from gas operations in Indonesia to petrol retailing in eastern Canada.

Associated Newspapers has followed the same path as Pearson, the industrial and publishing conglomerate which owns the Financial Times, and RTZ, the mining group, in selling oil assets after deciding that the capital requirements for developing them would detract from the main business of the company.

For Ultramar, the purchase serves to counteract what had been a declining oil production profile over the next five years. Mr Peter Raven, finance director, said: "It really does fully establish the North Sea operation as one of our core businesses."

Ultramar is buying recoverable reserves estimated at 10.2m barrels of oil and 302bn cu ft of gas, or a total of 60.5m barrels of oil equivalent.

Also included are 801 sq km net of exploration acreage (6,561 gross).

"It looks expensive," said one analyst, "but no more expensive than anything else. It's the going price."

Analysts said the acquired interests fitted well with Ultramar's existing portfolio, which includes stakes in the Thistle, Forties and Maureen fields. These are mature fields where production is expected to decline steadily in the coming years.

The Blackfriars acquisitions will balance this off, with a rising production profile from 1990 until 1995. The exploration acreage is also regarded as highly prospective.

Ultramar's shares were steady after the announcement of the deal, but later followed the market down to close 19p lower at 251p

Sick, and going for a song

Roderick Oram looks at the rush to buy insolvent US thrifts

Investors across the US – financial and industrial groups, entrepreneurs and opportunists – are suddenly showing great interest in picking up for a song big insolvent chunks of the country's savings and loan industry.

Their new-found enthusiasm must be music to the ears of Mr M. Danny Wall, a Washington bureaucrat charged with an awesome task. He needs their help to bail out more than 500 thrift institutions broken by a combination of bad management or luck, regulation, economics and, in some cases, outright fraud.

Certainly, Mr Wall, chairman of the Federal Home Loan Bank Board, the thrifts' regulatory agency, was his usual super-optimistic self when he announced late last week the first Texas thrift rescue involving substantial fresh capital from investors outside the industry.

He said the board planned to bail out, consolidate, liquidate or otherwise clean up by next May all 109 insolvent Texas thrifts under its care.

To would-be investors, frustrated by the board's painfully slow and pernickety negotiating style, and analysts critical of the quality of many deals struck so far, it sounded like an improbably grand pledge.

Almost nobody outside the agency believes the condition of the desperately sick US thrift industry has stabilised. About a third of the country's 3,200 thrifts were in the red last year, losing a total of $13.4bn.

Mr Dan Brumbaugh, author of Thrifts under Siege and a former deputy chief economist at the board, estimates about 1,000 thrifts with assets of $480bn are insolvent.

More alarmingly, outside analysts say the cost of bailing out insolvent thrifts could rise to between $75bn and $100bn, far outstripping the resources of the industry and the agency's Federal Savings and Loan Insurance Corp (commonly called Fizzlick), which currently bear the cost. Ultimately, taxpayers will have to make a big direct infusion, they say. However, the board still sticks to its $30bn estimate for bailing out thrifts.

All this is of little concern to new investors. The board has proved in its first few rescue deals that it will cover virtually all costs of further write-downs of a thrift's assets if new owners will try to run the institution.

Fizzlick is also giving generous financial aid for up to 10 years to help the reborn thrifts survive. Moreover, the board, intent on getting good new managers, is agreeing to deals in which investors are putting up little of their own capital. As this became clear, the stampede started.

"It amazes me how many people have appeared on the scene in the last few weeks," says Mr Richard Kneipper, chairman of the financial institutions section of Jones, Day, a Dallas law firm active in thrift deals.

Danny Wall: super-optimistic bureaucrat charged with cleaning up US thrifts

Investors who have recently done deals include an electric utility and a pipe maker. Those trying to land a thrift include a leading home builder and one of the country's largest property companies.

In addition, several Wall Street firms have offered to the public shares in limited partnerships which will invest in thrifts. Some investment banks could commit their own capital in direct investments and money-centre banks are interested in buying thrifts as a way of expanding geographically.

First in the game, though, were entrepreneurs who quickly spotted the opportunity to buy control of large pools of assets for relatively modest sums. Most notable is Mr William Simon, a former US Treasury Secretary, who brought into his investment group highly knowledgeable players such as Mr Preston Martin, once vice-chairman of the Federal Reserve Board.

Another group, led by Mr Robert Bass, a wealthy Texas investor, is studying the feasibility of taking on Financial Corporation of America, the biggest problem case in regulators' hands.

In last week's Texas deal, seen by some observers as a turning point for outside capital, Lone Star Technologies of Dallas and Mr William Gibson, a distinguished economist with experience in turning thrifts around, put up $48m to take control of $4bn of assets from 12 insolvent thrifts. Fizzlick will chip in $1.3bn of financial assistance.

The Lone Star deal represents one of the bigger capital infusions the board has managed so far, apart from deals with the Simon group.

Mr Gareth Plank, a thrift analyst with Shearson Lehman Hutton in California, says: "It's always a concern when investors' own money is not on the line. They tend to do more crap shooting."

However, observers admit it is hard to judge capital adequacy in recent deals. The board has released only the bare bones of the transactions so it is difficult to assess many aspects, such as quality of assets purchased.

The level of financial help from regulators has failed to stack the odds in investors' favour. Interest rate spreads are thin and rates are rising, which have always been two tricky market pressures for thrifts.

The new managers will have to be quick on their feet to handle the institutions' pressing problems of cutting branches and overheads.

Worse still, argue more pessimistic analysts such as Mr Brumbaugh, the savings and loan industry is threatened by structural problems such as increasing competition from other financial service players and products.

Thrifts must be allowed into new areas of business, but the trade-off would have to be less deposit insurance coverage. With all these uncertainties, investors are relying heavily on favourable treatment such as tax-loss carry-forwards and tax-free injections from Fizzlick.

Mr William Moore, chairman of Trident Financial, a Raleigh, North Carolina, investment banker specialising in thrifts, says: "Most of these deals work only with tax benefits."

Expiry of the tax benefits on December 31 has heightened pressure on investors and Mr Wall to do deals as quickly as possible. If Congress fails to extend them, Fizzlick will have to put up more money in subsequent deals.

Yet despite all these negatives, capable investors stand a good chance of reaping handsome rewards. Lest it be accused of giving away the store, the board is insisting in most deals on retaining a minority equity stake and a large share in profits.

Indeed, some analysts are concerned about the regulators' continuing commitment to the rescued thrifts. Mr Bert Ely, a consultant on financial institutions from Alexandria, Virginia, says: "The deals really worry me because they're open-ended."

Although some of the California rescues look reasonably well structured, particularly in terms of adequate new capital, "we're seeing mirrors, hype and smoke in Texas," he adds.

Against this background, even Mr Wall's friends concede he will need considerable luck to pull off his plans.

Peachey lifts Wereldhave bid defence

By Nikki Tait in London

PEACHEY Property Company of the UK yesterday stepped up its stalwart defence against a £265m ($445.2m) bid from Wereldhave, the second largest property company in the Netherlands, with news that estimated net asset backing per share has risen to 676p – an increase of 7.5 per cent in just two months.

The latest valuations, which were conducted at August 24 by the UK chartered surveyors Healey & Baker and Jones Lang Wootton, compare with an estimated figure of 629p a share at the June 24 year-end.

Wereldhave's cash bid is pitched at 612p a share.

During this intervening period, Peachey says it has sold 17 properties – largely non-City/West End London properties – for £9.8m, against a valuation of £8.5m. It has also spent £600,000 on developments.

Having adjusted for the sales and excluding the developments, Peachey says the underlying portfolio has increased by £21.5m, a rise of 6.9 per cent.

The latest revaluations have been carried out without re-inspection and on the same criteria used previously, but "in the light of current market conditions." Within the portfolio, Peachey's West End properties – which include London's Carnaby Estate – rose from £112m to £122m.

Peachey also points out that, as rent reviews fall due, its gross rental income should rise "significantly" in the next five years, even in the absence of any further growth in market rental levels.

Wereldhave has until September 5 to increase its offer for Peachy.

Although the asset valuation was slightly ahead of some analysts' expectations, the general plunge in share prices yesterday left Peachey 3p lower at 618p.

Noranda increases Falconbridge stake to 19.5 per cent

By David Owen in Toronto

NORANDA, part of Edward and Peter Bronfman's far-flung Canadian resource empire, yesterday further increased its stake in Falconbridge, the world's second-largest nickel producer, to almost 14.5m shares, or 19.5 per cent of the company.

The move increased speculation as to Noranda's intentions regarding the now reasonably diversified Toronto-based company. Many analysts feel that Falconbridge's Kidd Creek zinc-copper operation in northern Ontario – bought for C$650m (US$528m) three years ago from the government-controlled Canada Development Corporation – would mesh particularly well with Noranda's existing assets.

Noranda's stake will shortly increase to some 22.3 per cent when Falconbridge cancels 12.5m of its shares under the terms of a prior transaction with Placer Dome, the large Canadian gold producer. This will enable Noranda – 41 per cent controlled by the Bronfmans' Brascan – to include Falconbridge's earnings in its own income statement.

In June, Falconbridge bought back a 25 per cent stake held by Placer Dome, as part of a C$900m deal that included acquiring control of McIntyre Mines.

Mr Alf Powis and Mr William James, the chairmen of Noranda and Falconbridge respectively, are old sparring partners, having worked together at Noranda in the 1970s. This has prompted speculation that a merger between the two companies may eventually be on the cards.

Alternatively, Noranda, whose assets span the full gamut of resource-based industries, from forest products to oil and gas, may consider spinning off some of its metals-producing facilities into Falconbridge.

Mr Powis may even attempt to pry the Kidd Creek property away from Mr James, in exchange for its newly-acquired stake in Falconbridge. Noranda was known to have been interested in Kidd Creek when Falconbridge completed the purchase of the property.

Finally, Noranda may be content to sit on a minority Falconbridge stake (as others did before it) in the knowledge that any other potential suitor would have to contend with it. Falconbridge is widely regarded as one of Canada's ripest takeover targets.

Certainly, Noranda is now expected to request representation in proportion to the size of its investment on the Falconbridge board.

Simon-led group buys out two more thrifts

By Roderick Oram in New York

A GROUP of investors led by Mr William Simon, former US Treasury Secretary, has agreed to buy two more insolvent California savings and loan institutions in a move that will more than double the size of its holdings of thrifts in the Pacific region.

It will invest $207.5m and get $565m assistance from the Federal Home Loan Bank Board, the thrift regulatory agency, to take over Bell Savings and Loan of San Mateo and Western Federal Savings and Loan in Marina del Rey.

They will be merged to form an institution with assets of around $3.6bn.

The Simon group, including Mr Preston Martin, former vice-chairman of the Federal Reserve Board, has been one of the pioneers in buying up insolvent thrifts.

The group's previously announced purchase of Western Federal had been delayed for a year by factors including the weakening financial health of the group's Australian partner.

DP Holdings, a subsidiary of the group, aims to raise $207.5m equity in public markets.

It will use $145m of the funds to buy out Western Federal's current shareholders at $41 a share.

Sigoloff move teases out Wickes bidders

Martin Stanbridge examines the rush of interest in the California-based company

Inquiries have been flooding in from US, European and Asian companies eager to bid for shares in Wickes Companies, the California-based automotive products, wall coverings and home improvement store group, following the announcement that Mr Sanford Sigoloff, its chairman, was leading a $12-a-share leveraged buyout for the group.

Investors clearly hoped that the agreed merger proposal from WII Holdings – a group formed by Mr Sigoloff, other Wickes managers and Drexel Burnham Lambert, the securities firm – would attract buyers to put in higher offers for the group.

Some Wall Street analysts put Wickes' underlying value as high as $17 per share and say that an offer exceeding $12 a share is highly likely. Wickes' shares jumped by more than 40 per cent to $13¼ on Monday, after the announcement. However, since then, the group's shares have marked time, as investors have sat on the sidelines waiting to see what happens.

No commentators are prepared to say at this stage whether Mr Sigoloff launched his buyout proposal expressly to create interest in the company by potential buyers, or whether he will be prepared to increase the buyout offer if a higher bid is received.

However, the move is the latest in a series of surprises Mr Sigoloff has pulled on investors. In the last six years, he has engaged in a whirlwind of acquisitions and divestments which have resulted in a transformation of Wickes from a retailing group into one of the world's largest and most technically advanced suppliers of automobile parts, the world's biggest maker of wall coverings and one of the US's leading home improvement and furnishings retailers.

The group has also ended up with tax loss carry-forwards of $20 per share which makes it attractive to bidders because they would be able to sell assets without incurring tax. Additionally, it has $1.8bn of debt, at low interest rates, which would also make the financing of any takeover very attractive.

Mr Sigoloff, 58, who has become a West Coast television celebrity through his appearances in advertisements for Wickes do-it-yourself and furniture stores, originally trained as a scientist at the University of California. In the 1950s he was one of the top US researchers into the health effects of atomic radiation.

He developed his reputation as an expert in turning round troubled companies in the mid-1970s, when he successfully steered Daylin, a home improvement and women's fashion retailer, through Chapter 11 proceedings. It was at this time that he gave himself the nickname "Ming the Merciless," after the arch-villain of the Flash Gordon film series, to let his staff know how ruthless he was in his attention to detail.

He joined Wickes in March 1982 and immediately installed a new management team. At the time, the group was a diversified retailer with annual sales of $4bn and was struggling to cope with debts totalling $2bn. These were incurred in a series of takeovers culminating in 1979 with that of Gamble-Skogmo, a Minneapolis retailer. Additionally, the group's lumber and building supply companies were in trouble following a slump in the housing market.

Just a month after his arrival, Mr Sigoloff took the group into Chapter 11 proceedings and set about restructuring it. When Wickes emerged in January 1985 he had strenuously pruned the group back to its core businesses and put it well on the road to recovery, having returned it to profitability in 1984. Fifteen divisions had been eliminated and the number of employees reduced by about 12,000 to around 100,000.

Mr Sigoloff was keen to restructure the group further by adding healthy companies that would reduce its reliance on retailing. In turn, the new subsidiaries could shelter their income behind some of Wickes' large tax-loss carry-forwards.

Within five months of emerging from Chapter 11 he had clinched the purchase of the consumer and industrial products division of Gulf & Western for $1bn.

In April 1986, he bid $1.23bn for National Gypsum, a leading US gypsum producer, but quickly pulled out when the offer was topped by a $1.6bn management buyout.

The following month he agreed to buy the Home Centres West and Orchard Supply Hardware offshoots of W.R. Grace, the New York-based chemicals and natural resources group, for an undisclosed sum. At the same time he was building up finance for bids with $300m of divestitures and a $1bn debt offering.

In August 1986 he pulled out of a three-week takeover battle for Owens-Corning Fiberglas, the Ohio fibreglass products maker, after the target company came up with a restructuring and leveraged buyout that offered shareholders more than Wickes' $2.1bn or $74-per-share cash bid.

In November the acquisition spree continued with the purchase of Collins & Aikman, a leading textile products and wall coverings producer, for $1.16bn. However, an agreed $1.7bn bid for Lear Siegler, the aerospace, automotive and industrial conglomerate, made four days after announcing the C&A deal, failed because Wickes could not raise the necessary finance.

Some of Mr Sigoloff's divestments were to the offshoots' managers. In March 1987 he sold the Wickes UK building supplies offshoot for $192m to its top management, while in April 1988 he did the same with the group's lumber unit for $320m.

However, not all this acquisition activity went as smoothly as Mr Sigoloff might have wished. Last March Wickes agreed to pay $300,000 to the Federal Trade Commission to settle claims that it evaded anti-trust restrictions on takeovers – generally believed to have related to the Owens-Corning Fiberglas bid.

The group also undertook to avoid using certain stock option deals that can be used to evade Hart-Scott-Rodino anti-trust measures, without, however, acknowledging that it had violated any laws.

The takeover of Collins & Aikman caused worries among investors when it was revealed that its carpet-making operation had incurred possibly crippling liabilities relating to sub-standard floor coverings. However, the eventual cost to the company's bottom line for 1987 was an $11.2m extraordinary charge.

Wickes' latest figures, for the second quarter of 1988, showed net losses of $12.43m, or 28 cents per share, although this hid earnings from continuing operations of $10.39m. This compared with profits of $18.89m, or 37 cents, in the same quarter a year ago, which included income from discontinued activities of $11.21m, a gain on disposals of $19.22m and extraordinary losses of $21.21m to cover the costs and liabilities relating to the sale of faulty carpeting. Sales advanced to $937.23m from $864.99m

In its last full year the group made net profits of $180m, or $3.62 per share, on sales of $$3.48bn.

Canadian chartered bank improved in third quarter

By David Owen in Toronto

NATIONAL BANK of Canada, the smallest of the big six Canadian chartered banks, yesterday reported third-quarter net earnings of C$68.1m (US$55.4) or 58 cents a share. That compares with a loss of C$211m in the same period last year. The 1987 figure included a hefty C$276m provision relating to an increase in the bank's reserves on loans to troubled third world countries.

In the first nine months, net income totalled C$159.2m or C$1.32 a share, against a loss – including the special provision – of C$90.1m a year earlier.

The bank, which recently acquired 73 per cent of Lévesque Beaubien, the Québec-based brokerage firm, said that a 14 per cent increase in bankers' acceptances, commercial and consumer loans was largely offset by a C$1.7bn decline in total cash resources and by a reduction in net outstanding sovereign loans.

Brazil sells off copper smelter

THE BRAZILIAN Government has completed an important stage in its privatisation programme by successfully selling Caraiba Metais, a heavily indebted copper smelter, for $87m, writes John Barham in Sao Paulo.

The sale opens the way for the privatisation of a further 18 Brazilian state companies by the end of the year.

The auction recovered only 7 per cent of the $1.3bn of Federal money used to support Caraiba over the past 14 years.

St Lawrence to build NY plant

By Robert Gibbens in Montreal

ST LAWRENCE CEMENT, Eastern Canada's largest cement producer, will build a US$190m cement manufacturing plant at Hudson, New York, 100 miles north of New York City. It will have an annual capacity of 1m tons and will be in production by 1993.

St Lawrence, controlled by the Swiss Holderbank Group, already has a 550,000 tons plant at Catskill, near Hudson, and a distribution system serving the north-eastern US. It has a 25 per cent share of this market, while the parent company, through Ideal Cement and other affiliates, serves all the rest of the US except California.

The new plant, using the latest technology, will replace the Catskill plant in 1993 because of superior economics and provide 450,000 tons capacity to meet growing market needs.

St Lawrence will use its Canadian technical experts to engineer and manage construction of the new Hudson plant, calling on technology provided by Holderbank, now the world's largest cement producer with 43.5m tons of capacity.

St Lawrence also has three cement plants in Québec and Ontario, another in Maryland, plus a full network of distribution, aggregate and cement products facilities.

Poor response to launch of India Growth Fund

By R.C. Murthy in Bombay

INDIA GROWTH Fund, the latest country fund launched in the US, has evoked a poor response and attracted only $60m insubscriptions, more than a third short of the planned $100m.

Merrill Lynch and Nomura Securities, the fund managers, advised Unit Trust of India, the leading domestic institution, to reduce the size of the fund and raise the remainder in a second tranche later. The move follows the renewed retreat on Wall Street and adverse reports by New York investment journals.

In London the sterling-denominated India Fund has been trading below asset value. India's Birla group and S.G. Warburg of the UK, which were jointly to launch a Birla-Mercury fund, have decided to postpone this indefinitely.

Ericsson posts 55% first-half advance

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications group, yesterday announced a 55 per cent jump in profit (before appropriations and taxes) to SKr633m ($99m) from SKr409m a year ago as the effects of its far-reaching restructuring became apparent.

The group forecast a "continued strong improvement in profitability" in the second half of the year, which is traditionally Ericsson's stronger half.

"We have a stable situation today and there is potential in our business areas for further improvements" said Mr Carl Wilhelm Ros, chief financial officer, indicating that after Ericsson's ill-starred venture into the computer business, its profits had at last taken a more favourable turn.

In recent months, the Swedish group has sold off several business areas including a significant part of its troubled Information Systems division, which Nokia of Finland bought in January for SKr1.34bn. It has also sold its loss-making cable operation in the US, and late last year shed its capacitor unit and office equipment business.

Mr Brian Knox, Scandinavian specialist at Kleinwort Grieveson, said: "Ericsson is more-or-less back to where it was in 1980 and should have stuck to that then."

Ericsson said the restructuring had paid off with all business areas apart from the defence systems showing higher profits.

Group profits in the first half of 1987 had been exceptionally weak because of the sharp decline in the US market for telecom cable, high project costs in the defence sector, and the high cost of introducing new radio communications products.

Furthermore, 1987 figures had been boosted by the sale of shares and fixed assets. Mr Bjorn Svedberg, group chief executive, said the group showed a SKr497m increase in profit (excluding capital gains) to SKr631m despite a strike earlier this year.

Order bookings inched up to SKr15.391bn from SKr15.218bn, while sales dropped 7.5 per cent to SKr13.607bn as a result of divestments.

However, taking comparable units into account, order bookings and sales increased by 28 per cent and 10 per cent respectively. Analysts expect the sharp rise in orders to show up as a good increase in sales next year.

Mr Svedberg said that there was a sharp increase in demand for mobile telephone systems, leading to a 60 per cent increase in order bookings for the Radio Communications division, Ericsson's second largest business area.

Division sales rose by 71 per cent to SKr2.085bn and there was a strong increase in profits.

Ericsson announced yesterday that Mr Lars Ramqvist (who is currently executive vice president of Ericsson) would take over as head of the Radio Communications Business area in October.

The sweet and sour sides of life as a Fiat chief

John Wyles looks at a biography of Cesare Romiti, managing director of the Italian vehicle group

Mr Cesare Romiti, managing director of Fiat, says: "As a person I have never been, and am not, a hawk, a steam-roller, a man obsessed with work, an extreme believer in the importance of the corporate sector, a Caesar who always wants to win, as I am often painted . . . The truth is much simpler, a certain responsibility has fallen to me and has required me above all to show a sour, rough, hard side and not the more truly human side."

This is the way in which the 65-year-old Mr Romiti, who sits at the right hand of his president, Mr Gianni Agnelli, or L'Avvocato as he is known, concludes a much-discussed book* which has been on the Italian best seller list for 15 weeks.

Not quite the runaway literary success that Mr Lee Iacocca of Chrysler has enjoyed in recent years, but certainly enough to give warm satisfaction to this rock-jawed, often grim-looking man who clearly feels his public image needs some correction.

Mr Romiti's account of his 14 years at Fiat is delivered via a 378-page interview conducted by Giampaolo Pansa, one of Italy's top journalists who has mostly put the right questions but not always pressed fiercely enough for real answers.

Nevertheless, the book covers every event of possible interest from the battles for survival at the end of the 1970s to the aborted plan to merge with Ford of Europe, the exit of the Libyan Government as a principal shareholder and the takeover of Alfa Romeo.

That the Fiat chief might one day want to tell the story of a tumultuous period in the history of both Fiat and Italy seemed understandable to many. But his timing is intriguing and, in a land where motivations are dissected for every particle of personal interest, some have concluded that Mr Romiti has rushed to put his version on the record before the publication in the next nine months of two other Fiat-centred books.

One is by Alan Friedman, the Financial Times correspondent in Milan, and the other, a gilt-edged prospective best seller, Mr Agnelli's own autobiography as told to Roger Cohen, a former Wall Street Journal correspondent in Rome.

While Mr Romiti's book is hardly a warts and all revelation of life at the top of Italy's largest corporation, it offers a characteristically vigorous, if somewhat defensive account, of the leap made by Fiat from the brink of failure to the luminous success of the last few years.

It is a story which begins with Mr Romiti abandoning his job as managing director of Italstat, the state-owned telecommunications company, to accept the more lowly post of finance director at Fiat and ends with the anticipation of future growth and overseas diversification as the year 2000 speeds towards us.

While every indiscretion may have been discreetly calculated, Mr Romiti's account of the financial mess he found on his arrival in October 1974 (not enough money in the corporate treasury to pay salaries at the end of the year) is hardly a flattering judgment on the previous stewardship of the Agnelli brothers, Gianni as Fiat president and Umberto as managing director.

Cesare Romiti: 'responsibility has required me to show the rough, hard side and not the more truly human side'

In the next 18 months, Mr Romiti's calm hand reached out for the tiller as he struggled with the runaway costs of investments in Brazil and laboured on a corporate restructuring plan based on the creation of operating companies. Mr Carlo De Benedetti's arrival as joint managing director (with Mr Umberto Agnelli and the newly promoted Mr Romiti) in April 1986 proved to be only a minor setback.

Though Mr De Benedetti is "a dazzling man" to whose charm Mr Romiti seems to think the Avvocato was unfortunately susceptible, his desire for "sole command" was not going to be conceded by Mr Romiti. The Fiat chief denies Mr De Benedetti's claims that there were real policy differences, asserting that Mr De Benedetti is a man "who cannot possibly work in a company he does not command."

Moreover, in Mr Romiti's universe, where attitudes in general towards Fiat seem to range from unsympathetic to downright hostile, Mr De Benedetti has been active in the latter camp. During the company's 35-day shutdown in 1980, Mr De Benedetti "seemed to specialise in creating a hostile atmosphere," he claims.

Once Umberto had moved up into the vice presidency after becoming a Senator in 1976, the path was clear for Mr Romiti to develop this symbiotic relationship with the Avvocato which has been an important key to the group's success. Mr Romiti does not chance his arm in assessing his boss – "there is no one with whom I have felt myself in such harmony" – and Mr Pansa complains of the "saintly" image he is painting.

The only "weaknesses" Romiti discerns in the Avvocato are admirably human – a tendency to think about the wider social impact of the decisions Fiat takes and a tendency to assume that intelligent people are nice people. Mr Romiti says that the only clashes he has with the Avvocato are over judgments of people outside the company.

Does Mr Romiti play the hard man to the Avvocato's Mr Nice Guy? His answer is notably ambiguous and refers only to the famous decision to sack 23,000 workers in 1980 which sparked a total shutdown of Fiat's Turin plants lasting 35 days. The move, however, also cleared the way for a fundamental recovery.

The sackings were "agreed" between the owner (Mr Agnelli) and the management, says Mr Romiti, but certainly the owner could not be seen to execute the decision because "at that time the political class's power of pressure or of blackmail was much greater over the owner than it was over me." So Mr Romiti did his duty, but not without "extreme difficulties of conscience."

Suggestions that the Agnelli family may worry about being tied "hand and foot" to a manager who behaves as a boss – as it was in the 1950s when Mr Vittorio Valletta ran the company – are just "the usual cliches." There is no comparison with Mr Valletta, says Mr Romiti: "He built the great Fiat, I have only defended it." Without revealing whether he believes himself to be as powerful as Mr Valletta was, Mr Romiti regards his predecessor's loyalty to the company as the real example to be followed.

Mr Romiti obviously finds congenial his picture of himself as an honourable, loyal servant in a company where 40 per cent of the shares are controlled by one family. He will have no truck with the US model of a public company which Mr Mario Schimberni tried to pursue at Montedison until he fell over the long legs of his main shareholder, Mr Raul Gardini.

Managers in public companies are irresponsible and unchecked by shareholders' meetings. A controlling shareholder, by contrast, is a "point of reference" able to check and judge a manager's work and also to allow him to take a long view of the company's interests. In the case of Fiat, no one is more determined than Cesare Romiti to do that.

Questi Anni alla Fiat, Cesare Romiti interviewed by Giampaolo Pansa, Rizzoli L25,000.

Feldmühle sees levelling

By Our Financial Staff

FELDMUHLE NOBEL, the West German paper, explosives and engineering group, yesterday said its 1988 group profit would be on level with 1987, when it posted net profit of DM151m ($80.3m).

Profit in the first six months was "satisfactory" as sales rose to DM3.67bn from DM3.56bn. Year-earlier figures were adjusted for the sale of several chemicals and plastics divisions to Veba, which took effect on January 1.

The divestment of the Omniplast plastic units to Elf Aquitaine of France caused a 15 per cent drop in first-half sales at the group's construction and plumbing materials division to DM291m from DM344m. Adjusted for Omniplast, the division's sales would have increased 10 per cent.

Feldmühle said sales of its domestic units, which account for 89 per cent of all operations, totalled DM3.3bn, with domestic sales rising 1 per cent and export sales increasing 6 per cent. Foreign units boosted sales 8 per cent to DM389m.

In a breakdown of overall group developments, Feldmühle said paper and cardboard sales, the largest division, rose 7.2 per cent to DM1.74bn from DM1.622bn.

Income declines at Lifegro

By Jim Jones in Johannesburg

LIFEGRO, the former South African associate of the UK's Legal and General Assurance, has suffered a sharp drop in premium income after terminating the sale of single premium policies offering guaranteed returns.

The policies were designed to provide holders with tax-saving benefits and guaranteed short-term returns which could not be achieved following last October's stock market crash.

It is believed that guarantees are having to be honoured by drawing on reserves.

Total premium income fell to R390m ($159.6m) from R574m. An increase in investment income mitigated the decline in the fall of total income, which dropped to R562m from R895m.

Net earnings slipped to 11.35 cents a share from 11.5 cents and the interim dividend has been maintained at 7 cents.

The directors have decided to restrict the writing of single premium business and to pay greater attention to increasing recurring premium business. They add that management has been strengthened and that reorganisation of the company is progressing well.

● The flood of divestments from South Africa allowed Rand Merchant Bank, a privately-owned local merchant bank, to increase its disclosed taxed profit in the year ended June.

The profit after tax and transfers to and from hidden reserves increased to R17m ($6.9m) from R13m. The directors say the corporate finance division derived a substantial income from handling new listings of shares on the Johannesburg Stock Exchange before last October's market crash.

Revenue from this source was subsequently replaced by that from handling the divestments of foreign companies quitting South Africa.

The project finance division increased its activities in line with the growth in private sector capital expenditure, though, according to the South African Reserve Bank, capital investment overall has failed to match depreciation of the manufacturing sector's capital stock.

The directors add that futures trading picked up appreciably in the final months of the financial year and that the international banking division benefited as imports have risen.

The directors say the merchant banking sector will be hard pressed to maintain the profit growth of the past three years. Three new merchant banks have been established recently and the banking environment is more competitive.

SE reprieve for three Danish banks

By Hilary Barnes in Copenhagen

THREE DANISH banks threatened with suspension from the Copenhagen Stock Exchange list have been reprieved by a decision of the Stock Exchange Council.

The banks changed their articles last spring to prevent any one shareholder owning more than 5 per cent of the equity without management approval to avert a possible hostile takeover.

The reaction by the Stock Exchange Council was to disallow the limitation because it hindered the free transferability of shares.

The banks, however, were backed by the Association of Provincial Banks.

Joint venture aids Buehrmann

By Our Amsterdam Correspondent

A JOINT venture with a rival helped fuel a 39 per cent jump in first-half earnings at Buehrmann-Tetterode, the Dutch paper group.

Net income soared to Fl 64.9m ($30.4m) from Fl 46.8m in the first half of 1987, aided by a doubling in the earnings from a joint venture with KNP Royal Dutch Paper Mills, which makes paper for corrugated paper.

Buehrmann predicts profits will surge about 20 per cent to about Fl 156m for 1988 and will probably include an extraordinary gain from the expected sale of sporting goods activities to an unidentified buyer.

Sales increased 15 per cent to Fl 2.05bn in the January-June period from Fl 1.78bn a year earlier. Disregarding acquisitions and disposals, the increase would have been 9 per cent.

Results were mixed in the troubled consumer products sector. But the toys division, which has lost money in recent years, continued to improve.

Profit margins were squeezed by rising costs of raw materials in the industrial products division, although higher sales offset the pressure.

Mayne Nickless posts 47% rise

By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security group, lifted net profit 47 per cent in the year ended June 3, to reach A$89.62m (US$73.0m) against A$60.95m.

Sales of the company, which is 46 per cent owned by the forestry-based Amcor group, rose to A$1.99bn from A$1.75bn.

Mayne Nickless also announced a one-for-five scrip issue.

The company said worldwide transport operations performed well. The outlook for 1988-89 was strong in all major markets, it said.

Brierley quits as BNZ chairman

By Terry Hall in Wellington

SIR RON BRIERLEY, entrepreneur chairman of the state-controlled Bank of New Zealand (BNZ), yesterday took leave from its board ahead of the bank's planned privatisation, in which his Brierley Investments (BIL) is a keen potential bidder.

His move came as a surprise, as earlier this week he had said categorically he would not resign, adding that there was no conflict of interest between his roles as chairman of BIL and of the bank.

Sir Ron's decision followed an apparent change of heart by Labour government ministers who had been supporting him in spite of calls for his resignation from Sir Lewis Ross – a former chairman of BNZ chairman – and opposition National Party MPs.

His main defender has been Mr Roger Douglas, the Finance Minister, who appointed him to the post two years ago.

Mr Douglas has in turn come under opposition fire for allegedly accepting "champagne and caviar flights" to Australia in a Brierley corporate jet when the bank's future was "up for grabs."

Earlier this week Sir Ron said he would reconsider his position only when and if a new major shareholder for BNZ was found. "One tries to do the job properly for both organisations, and in many respects the experience and credentials of one role tend to complement the other."

His change of mind followed a surprise statement by Mr Richard Prebble, the hardline Minister of State-Owned Enterprises, that anyone who had a conflict of interest over potential sales of government businesses should take leave. He said that Sir Ron had written to him saying that BIL had an interest in all privatisations, and to avoid any such conflict he was stepping aside. BIL is known to be interested in buying part or all of BNZ in the sale which is being handled by First Boston.

Mr Rob Campbell, a former trade unionist, is to be acting chairman. A second BNZ board member, Mr Len Bayliss, a leading economist and outspoken critic of the Government, also announced he was standing down temporarily. Mr Bayliss is a director of Government Life, a state-owned mutual company which is a shareholder in National Australia Bank, one of a list of other potential buyers canvassed by Mr Douglas.

These also include Westpac and ANZ, Australia's other two large private sector banking groups. Mr Douglas has waved aside suggestions that a Westpac takeover would be monopolistic, as it would give it around 60 per cent of the New Zealand market. ANZ, which already ranks as New Zealand's second biggest trading bank, would in combination with BNZ have nearly 70 per cent of the market.

Sir Ron Brierley: move came as a surprise

Last week's decision by Barclays of the UK to buy full control of Barclays NZ, its loss-making but sizeable merchant and finance company, also aroused speculation about its interest. Lloyds Bank owns National Bank, New Zealand's fourth biggest.

Mr Hugh Fletcher, managing director of Fletcher Challenge, New Zealand's leading industrial company, has also confirmed his interest. While Fletcher last year sold Broadbank and Marac, its own finance companies, Mr Fletcher said this was because these amounted to comparatively minor investments by a group which preferred to be a major player in every industry in which it was involved.

A Treasury official said that a number of banking institutions and others had been contacted, and his department and First Boston were evaluating the responses. He did not wish to be drawn on potential buyers, and said it was too early to say whether the Government's 85 per cent shareholding would be sold to a single buyer, the public, or a combination of both. The remaining 15 per cent is already in private hands, after a partial flotation.

The official said it would be some months before a deal was reached but that it would not be in the bank's interests to let the uncertainty over its future to continue too long.

Setback for Renison

By Our Financial Staff

RENISON GOLDFIELDS Consolidated, the Australian offshoot of the UK's Consolidated Gold Fields, showed an 8.3 per cent dip in net profits to A$45.2m (US$36.8m) for its latest June year after increased finance charges.

However, it expects further growth from its one-third stake in the Porgera gold project in Papua New Guinea, the recent identification of a 150m-tonne mineral sands deposit in Western Australia, and the acquisition of 75 per cent of the Koba tin mine on Bangka Island, Indonesia.

Interest, depreciation and tax together took A$90.2m against A$67.7m. Earnings were also depressed by a A$16m loss on hedged copper sales made a year ago before prices rose sharply.

The total dividend is maintained at 15 cents a share, the final 10 cents of which will be paid from capital expanded by a one-for-three scrip issue.

Lend Lease profits 20% ahead

By Chris Sherwell in Sydney

LEND LEASE, one of Australia's largest property groups, achieved net earnings of A$117.8m (US$96m) for the year to June, up 20 per cent, on a marginal improvement in revenues to A$1.32bn from A$1.29bn.

Directors announced a one-for-10 scrip issue and a special bonus dividend of 50 cents, on top of an ordinary annual dividend of 50 cents, up from 45 cents. Both dividends are fully franked for tax purposes.

The moves, along with proposals for an employee share plan and a skills development organisation, commemorate the 30th anniversary of the group, the first achievement of A$100m in profits and the retirement of Mr Dick Dusseldorp as chairman.

The board announced that Mr Stuart Hornery, 48, would take over as chairman. Mr Hornery said yesterday the outlook was good: the group had a record forward workload and profit was expected to increase again.

Lend Lease's financial services division contributed 30 per cent of the group's operating profit. Extraordinary items added a further A$14.3m, making average earnings per share 93.4 cents against 79 cents.

Revenues showed only a 2 per cent increase, but the group pointed out that last year's figure included the sale of the Riverside Centre in Brisbane for A$171m.

Strong sales give Sony fivefold gain

CONSOLIDATED net profits of Sony, the Japanese consumer electronics group, were up by nearly five times in the three months to June, at Y16.10bn ($120m) against Y3.25bn, writes Ian Rodger in Tokyo.

This was due to strong demand in most markets for its products and the addition of CBS Records group, acquired in January.

Pre-tax profits were Y35.9bn against Y10.3bn in the first quarter of its 1987 year. Sales rose 30 per cent to Y300.2bn.

Sony said sales of 8mm video, professional-use VTRs, CD players and electronic devices, such as semiconductors, were especially strong. Video equipment sales, accounting for 27 per cent of total sales, were up 23 per cent to Y126.5bn.

A first-time entry for record sales was Y77m. Sony said record sales were favourable because of growing demand for compact discs.

Merrill criticised over issue tactics

By Our Euromarkets Staff

THE International Primary Market Association, a trade organisation which sets guidelines for Eurobond underwriters, has sharply criticised Merrill Lynch International for issuing Eurobonds interchangeable with those issued just a few weeks before by a competitor, UBS Securities.

Mr Hansgeorg Hoffmann, chairman of IPMA's market practices committee, described Merrill's move as "Wild West cowboy material."

"It's outrageous to have an issue increased by anyone other than the original lead manager prior to closing," said Mr Hoffman, a managing director in charge of new issues at Shearson Lehman Hutton.

Earlier this week, Merrill Lynch International announced a $50m deal for Royal TrustCo, a Canadian trust company, saying the bonds would be interchangeable with bonds underwritten in July by UBS Securities.

But UBS and some of the other members of its underwriting syndicate have baulked at allowing what amounts to an increase of their original issue.

While increasing the size of a Eurobond issue is not unusual, it is rarely done by another underwriter and has never been done by a second underwriter before the initial offering has been signed and paid for.

The move has sparked intense debate within the industry about whether offerings of Eurobonds should be increased in size at all, and if so, under what circumstances.

However, some dealers argue that investors increasingly demand liquidity in their issues and that Merrill's move is actually beneficial for the market.

While Merrill could still go ahead with its issue as a separate deal, several firms which originally agreed to underwrite this week's issue have said they will back out if the bonds are not fungible.

If Merrill does decide to withdraw the issue, its move will be complicated in that proceeds have already been swapped into Canadian dollars via a Eurobond issued on Tuesday for Akzo, the Dutch chemical group.

Swiss syndicate to admit three German banks

By Stephen Fidler, Euromarkets Correspondent

SWITZERLAND'S three leading banks yesterday announced that they would admit three West German banks to the leading bond syndicate, breaking a 40-year monopoly of Swiss banks on the grouping which accounts for 75 per cent of all Swiss franc bond issues.

In a short statement yesterday, the three Swiss banks – Union Bank of Switzerland, Credit Suisse and Swiss Bank Corporation – said the German banks would be admitted from October 1. The three new entrants are the Swiss subsidiaries of Deutsche Bank, Commerzbank and Dresdner Bank, bringing the number in the syndicate to 25.

The syndicate has in recent years admitted a number of smaller Swiss banks, but so far kept out foreign-owned banks which have so far been restricted to the smaller, less influential syndicates.

However, it is clear that applications from other foreign banks to join the grouping have for the moment been turned down by the syndicate. Syndicate members argue that the West German banks were the leading candidates because of reciprocity – the legal and practical right to operate in the mother country of the foreign banks – and their stated commitment to the Swiss market. The reciprocity requirement would, for example, forbid the entrance of banks from Japan and the US, where there is a legal split between commercial and investment banking.

There was no word yesterday on what allocations would be received by the German banks, since the syndicate meeting agreed that this would not be immediately released publicly. However, it seemed unlikely that each of the banks will be allocated anything less than a 1 per cent allocation, since it would hardly be worth their while to take less than SFr1m of bonds on a SFr100m bond issue.

European rate increases put traders in a spin

By Our Euromarkets Staff

CONCERTED increases in key interest rates in Europe, combined with economic statistics in the US and Britain which worried investors, caused currency gyrations yesterday and left international bond markets in disarray.

In continental Europe, official rates in West Germany, France, Austria, the Netherlands and Switzerland were raised.

A shortage of supply in dollar and sterling Eurobonds limited the price slides in those markets, but investors and dealers alike remain uncertain about how long technical factors can underpin the markets.

While US Treasury bonds shed up to ⅝ point during the London trading day, dollar Eurobonds closed a more modest ¼ to ⅜ points lower, helping to narrow spreads between the two markets.

The announcement of an upward revision of 0.2 percentage points in second-quarter US GNP growth, to 3.3 per cent, tended to help the dollar but was overshadowed by news of a much larger upward revision to the GNP deflator, a key inflation gauge, to 5.1 per cent from the originally-reported 4.1 per cent.

The dollar itself, meanwhile, came under selling pressure after the Bundesbank said that the strength of the dollar could throw into reverse much of the progress made in reducing the world's trade imbalances.

Meanwhile, in the UK, financial markets were stunned by news of a £2.15bn current deficit in July, nearly twice what analysts had been expecting. The Bank of England almost immediately moved to counter the effects of the news by announcing a one-point increase in its key dealing rate – prompting similar increases in UK commercial bank base rates.

While gilt-edged bonds shed up to ¼ point, Eurosterling bond prices closed unchanged among shorter issues and down only ¼ in seven to 10-year bonds.

"Clients simply aren't selling because they don't want to take the capital loss," said one Eurosterling bonds trader.

INTERNATIONAL BONDS

Interest rates in the UK have risen sharply since the completion of the most recent Eurosterling issues that investors calculate it is wiser to hold on to their bonds.

In the domestic West German market, bond prices opened as much as 30 basis points higher, aided by the weaker dollar overnight. After the half-point rise to 3½ per cent in the discount rate, both Bunds and Eurosterling closed 10 to 20 basis points firmer.

In the primary markets, Nomura Securities launched two new equity warrant bonds for Japanese borrowers, both with coupons higher than any 4-year issue seen this year.

Nissho Corporation, a manufacturer of disposable medical supplies, issued $120m worth of bonds with an indicated coupon of 5 per cent while Itoman and Co issued $230m worth of bonds with an indicated coupon of 4⅞ per cent. The higher coupons may still be insufficient, since both deals were trading outside their 2¼ per cent fees.

Yamaichi Securities Europe issued a $52m five-year bond for a special purpose company, Sabre IX. The bond is backed by $65m of Tobu Railway Corporation ex-warrant bonds. It pays interest every six months at 25 basis points over six-month London interbank offered rates.

Ford Motor Credit issued a two-year A$75m bond bearing a coupon of 13⅝ per cent and priced at 101¼ to yield 72 basis points over Australian government bonds.

Nordic Investment Bank issued a three-year zero-coupon bond priced at 78¼ for an annualized yield to maturity of 8.52 per cent. The issue was lead managed by Den Danske Bank.

In Switzerland, two equity-linked deals were launched for Japanese borrowers. Kanebo issued a SFr200m five-year issue with equity warrants and an indicated coupon of 1⅞ per cent.

Energy Support Corporation, via Bank Julius Baer, issued a SFr35m convertible bond for private placement carrying an indicated coupon of ⅛ per cent. The borrower is a manufacturer of power distributors for the domestic electric power industry.

HK group pays $127m for US hotel

By John Elliott in Hong Kong

HONGKONG AND Shanghai Hotels, controlled by the Kadoorie family, is buying Hotel Maxim's de Paris in New York for US$127m as part of an international expansion.

The hotel, on Fifth Avenue, was opened in 1905 as the Gotham. It was taken over and renamed in 1979 by the Geneva-based Nova-Park group. Nova-Park failed to complete a renovation scheme and the hotel was taken over by a syndicate of US developers.

It is now to be called the Peninsula, after the company's flagship hotel in Hong Kong.

Mr Hanmer Webb-Peploe, HK Hotels managing director, said yesterday that the company wanted to open a hotel in London

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 25

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93	93½	-0½	0	9.85
All Nippon Air 9⅜ 97	100	*†92⅜	92⅞	0	0	10.69
Amer. Brands 8⅞ 92	150	*†95⅛	95⅝	0	0	10.36
A/S Eksportfinans 7⅝ 93	100	*†90⅛	90⅝	0	0	10.03
A/S Eksportfinans 7¾ 92	150	*†92⅛	92⅝	0	0	9.96
Barc. Bk. Fin. 10⅛ 89	200	*†99⅛	99⅝	0	0	10.69
B.F.C.E. 7 92	150	92¼	92¾	-0⅛	0	9.53
British Telecom 7⅝ 96	250	†87⅞	88⅜	-⅜	—	9.81
Cal.Natl.Telecom 8½ 93	160	*†95⅝	96⅛	0	0	9.65
Canada 9 96	1000	†97⅛	97⅝	-0¼	0	9.48
Canadian Pac 10¼ 93	100	†102¼	103¼	+0¼	+0¼	9.98
C.C.C.E 7⅛ 91	115	*†92	92½	0	0	10.09
C.C.C.E 9⅛ 95	300	97⅛	97⅝	-0⅛	0	9.79
C.N.C.A 7¾ 91	150	†93¼	93¾	-0¼	0	9.60
Credit Lyonnais 9 91	200	*†99¼	99¾	0	+0⅛	9.19
Credit National 8¼ 93	200	†94¾	95¼	-0¼	-0⅛	9.61
Credit National 7⅜ 92	100	†93⅛	93⅝	-0¼	-0⅛	9.58
Credit National 7¼ 91	150	*†93½	94	0	-0⅛	9.51
Denmark 7⅛ 92	500	*†92¾	93¼	0	+0⅛	9.52
E.E.C. 7 91	100	93⅛	93⅝	-0⅛	-0¼	9.42
E.E.C. 7¼ 93	250	91¾	92¼	-0⅜	0	9.48
E.E.C. 8 90	350	†97⅝	98⅛	-0⅝	-0¼	9.24
E.I.B. 7⅝ 93	100	92	92½	-0¼	0	9.53
E.I.B. 9⅜ 97	150	97⅝	98⅛	-0¼	-0¼	9.74
Elec. De France 9 98	200	94	94½	-0⅜	-0⅜	9.94
Finland 7⅞ 97	200	†87⅞	88⅜	-0⅜	0	10.01
Finland 7½ 93	200	*†91⅞	92⅜	0	0	9.53
Finn.Exp.Cd. 8½ 92	200	†96⅞	97⅜	-0¼	-0¼	9.46
Ford Motor Credit 8 91	250	†96½	97	-0⅛	-0⅛	9.44
Gen Elec Credit 10¼ 00	200	†100	100½	-0¼	-0¼	10.20
G.M.A.C. 8 89	250	†98¾	99¼	-0⅛	0	0.09
Halifax BS 9½ 93	200	†98⅛	98⅝	-0½	-0⅜	9.92
Hoesch 8¼ 97	100	*†91	91½	0	0	9.79
Italy 9 90	1000	†100⅝	101⅛	-0⅛	+0⅜	8.51
L.T.C.B of Japan 8 91	100	*†94½	95	0	0	10.13
L.T.C.B. of Japan 8 97	200	†87⅝	88⅛	-0½	0	10.20
Mercds-Benz Cd. 8½ 95	100	*†92⅝	93⅛	0	0	10.02
Metropolis Tokyo 9½ 93	200	†99⅞	100⅜	-0⅜	-0⅛	9.43
Morgan Guaranty Tst. 7 90	150	†96½	97	-0⅛	0	9.30
Norway 8¾ 93	500	†97⅛	97⅝	-0¼	-0¼	9.46
Pepsico Inc 7⅜ 93	200	†91¾	92¼	-0⅜	-0⅜	9.54
Portugal 8¼ 91	300	*†96⅝	97¼	0	+0⅛	9.58
Prudential Crp. 8¾ 94	125	†95¾	96¼	-0¼	-0¼	9.66
Qantas Airways 10⅛ 95	140	101¾	102⅛	-0⅜	-0¼	9.95
Saskatchewan 10¼ 92	100	103	103½	-0¼	-0⅜	9.58
State Bk S Aust 9¼ 93	100	97⅞	98⅜	-0¼	-0¼	9.76
Swed Exp Cred 7¼ 91	100	*†94¼	94¾	0	0	9.32
Swed Exp Cred 10 92	100	*†99⅞	100⅜	0	0	9.93
Sweden 7 91	250	†93½	94	-0¼	-0¼	9.39
Sweden 7 92	250	*†91⅜	91⅞	0	0	9.94
Sweden 8¾ 96	200	94	94½	-0⅜	-0¼	9.84
Sweden 8½ 92	200	†97	97½	-0¼	-0⅛	9.36
Victorian Rep 11⅝ 92	150	105½	106	-0¼	-0¼	9.66
World Bank 7 92	300	*†93¼	93¾	0	0	9.36
World Bank 9 97	300	95⅛	95⅝	-0⅛	0	9.80
Yasuda Trust Fin 8½ 93	100	†95	95½	-0¼	+0⅛	9.76

Average price change... On day -0¼ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅞	100½	0	+0¼	5.97
Avis Fin.SVS 5⅞ 92	100	100¼	100¾	+0½	+0¼	5.70
Bank of Tokyo 5¾ 93	100	99⅝	100⅛	-0⅛	-0¼	5.77
Central BK. Turkey 7 92	200	102⅜	102⅞	0	-0⅛	6.25
Commerzbank o/s. 5⅜ 93	300	99	99½	+0¼	+0⅜	5.56
Degussa Int. 6⅛ 97	200	97⅞	98⅜	-0¼	-1	6.39
E.I.B 5½ 98	150	96⅞	97½	+0⅛	+0¼	5.89
E.I.B 6 97	300	97⅞	98⅜	-0⅛	-0¼	6.29
E.I.B. 6⅛ 96	300	99⅞	100⅜	+0⅛	+0⅜	6.10
E.I.B. 6⅛ 97	400	99	99⅝	+0⅛	0	6.23
E.I.B. 6⅞ 95	300	103¼	103¾	0	+0¼	6.25
Euro.Coal& Steel 5⅞ 97	175	97¼	97¾	+0⅛	+0⅜	6.26
Eurofima 6¼ 96	100	101⅞	102⅜	+1	+1⅜	5.96
Elec De France 5¾ 97	300	96½	97	0	+0¼	6.26
Forsmark Krtg. 5⅛ 93	200	97⅜	97⅞	-0⅛	-0⅛	5.73
I.A.D.B. 6 97	200	98	98⅝	+0¼	+0⅜	6.26
Japan Dev. Bk. 5⅜ 95	300	96¼	97	+0¼	+0¼	6.00
Japan Finance 5¾ 97	100	95⅛	95⅞	+0⅛	+0⅜	6.45
Ireland 6½ 97	300	99⅛	99⅝	0	+0¼	6.59
Korea Dev BK 6⅝ 93	100	101⅝	102⅜	-0⅝	-1⅜	6.12
Malaysia 6¼ 94	150	99⅛	99⅞	+0⅛	-0⅝	6.35
Nat. West BK. PLC 6 98	300	95¼	95¾	0	0	6.64
Nippon Telg.&Tel. 6 95	400	99¾	100¼	+0⅛	+0½	6.10
Oesters. Kontbk. 5 93	300	98	98¾	+0⅜	+0⅜	5.41
Portugal 5¼ 92	150	99⅝	100⅜	0	0	5.75
Portugal 6⅝ 95	150	101⅝	102⅜	-0¼	-0⅜	6.26
Privatbanken 5¼ 93	150	96	96⅝	-0⅜	-0½	6.22
Royal Insurance 5½ 92	300	99¾	100¼	+0⅛	-0⅜	5.49
Soc Cent Nuclear 7¼ 95	150	103¼	103¾	-0¼	-0⅛	6.62
Turkey 6½ 95	500	97⅜	97⅞	0	0	6.92
Westlb. Finance 5 93	200	†97¾	98	0	-0⅜	5.54
World BK. 6¼ 97	600	99⅞	100⅜	+0⅛	+0⅜	6.22

Average price change... On day +0⅛ on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	-0⅛	-0½	4.81
Asfinag 5 03	100	†100¼	100¾	-0⅛	-0⅛	4.96
B.F.C.E. 4½ 98	200	†97	97¼	-0¼	-0½	4.87
B.M.W.Fin.Neth. 5 13	150	†93¼	93¾	-0⅜	-0⅜	5.48
Britannia B/S. 4¼ 94	100	†97¼	97¾	-0⅛	-0⅛	4.75
CIR. Int. W/W 3 93	125	†100½	101½	+0½	0	2.89
Credit Lyonnais 4¾ 00	100	†97	97½	-0¼	-0½	5.06
E.I.B 4⅝ 98	150	†98¾	99¼	0	+0¼	4.75
Fletcher Chall. 4⅞ 98	150	†96	96¾	-0½	-1	5.36
Kobe City 4⅝ 98	150	†98½	99	0	-0⅛	4.79
Leeds Perm. B/S. 4⅛ 93	200	†98	98½	0	-0½	4.55
Malaysia 5¼ 98	100	†98½	99	-0⅜	-0¼	5.41
Maxwell Comm.Crp. 5 95	150	†101¾	102	+0¼	+0¼	4.67
Nationwide Ang.B/S. 4 93	200	†97	97¼	0	-0½	4.68
Nippon Telg.&Tel.4¼ 95	200	†99¼	99½	-0½	-0½	4.35
Oesters.Ktbk. 5 03	75	†100	100¼	-0¼	+0⅜	4.99
Rep.National Bk. 4 93	150	†95¾	96¼	-0¼	-0¼	4.45
Thailand 4⅝ 95	200	†94½	95	-0¼	-0⅜	5.56
World Bank 5 03	150	†98	98½	0	0	5.18

Average price change... On day -0⅛ on week -0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	100¼	100½	-0⅛	-0⅛	5.27
Belgium 4⅝ 94	45	95⅜	95⅝	-0⅛	-0⅛	5.55
Canada 4⅜ 92	80	97⅛	97⅜	-0⅛	-0⅛	5.18
Elec. De France 5⅛ 94	20	98⅜	98¾	-0⅛	-0⅜	5.44
Ireland 5⅛ 93	30	98⅞	99⅜	-0⅜	-0½	5.33
Norway 5⅛ 95	50	97½	97¾	-0⅛	-0¼	5.56
Rep. of Italy 5⅜ 92	150	101⅝	101⅞	-0⅛	-0⅛	5.18
Sweden 4⅜ 93	50	96⅞	97¼	-0¼	-0¼	5.36
World Bank 5½ 92	50	101⅜	101⅝	-0⅛	-0⅛	5.08

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS 10¼ 93 £	50	97⅝	98⅛	-0⅛	-0¼	10.84
Alg. Bk. Ned. 5½ 92 FL	150	97½	98	0	-0¼	6.23
Amro Bank 6¼ 92 FL	150	100¼	100⅞	0	-0⅜	6.10
Barc. Aust. 14 91 A$	20	101⅛	101½	0	-0⅜	13.45
Barc. Bk. 10¼ 97 £	250	95¼	95¾	-0¼	-0¼	11.03
BP Capital 9¾ 93 £	100	95⅞	96⅜	-0¼	-0⅛	10.86
British Airways 10 98 £	100	93¼	93¾	-0⅛	-0⅛	11.12
C.I.B.C.Mort.10¾ 93 C$	100	†97⅝	98⅛	-0¼	-0⅛	11.34
Comm.Bk.Aust. 12⅝ 93A$	100	98⅛	98½	-0⅛	-0⅜	13.26
Coop.Ctr.Rabo.6¼ 93 FL	100	99¾	100¼	+0⅛	+0⅛	6.24
Coop.Ctr.Rabo.6 92 FL	200	99½	100¼	+0¼	-0¼	6.07
Denmark 7¾ 92 ECU	100	100⅜	101	0	-0⅛	7.51
Dixons 11 95 £	90	†97½	98	0	-0¼	11.57
Deutsche Bank 9⅞ 97 £	75	†93¼	93¾	-0¼	-0⅝	11.06
Deut.Bk.Aust.12¾ 95 A$	70	†99¼	99¾	0	-0⅛	12.82
E.I.B 10⅛ 98 C$	130	†95¼	95¾	-0¼	-0⅞	10.88
E.I.B 8⅝ 93 LF	10	†100¾	101¾	0	0	8.25
Elec.France 10¼ 95 C$	125	†96½	97	-0⅛	-0⅞	10.93
Euratom 7⅜ 97 ECU	145	96⅜	96¾	+0⅛	-0⅝	7.94
Eurofima 7½ 92 FL	50	†104¾	105½	+0¼	+0½	5.90
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96¼	96¾	-0¼	-0¼	10.90
Ford Cr.Can.10¾ 93 C$	100	†98½	99	-0⅛	-0⅜	11.08
Gillette Can. 9⅝ 93 £	70	92⅛	92⅝	-0⅜	-0⅛	11.70
G.M.A.C. 9¾ 93 C$	150	†94⅝	95⅛	-0¼	-1⅛	11.18
G.M.A.C. 9¼ 92 C$	75	†98	98½	0	-0¼	9.80
G.M.A.C Aus.Fin.14 90 A$	50	100⅛	100⅝	-0¼	-0½	13.71
Halifax BS 10⅜ 97 £	100	95¾	96¼	-0⅛	-0½	11.10
Imp Chem Inds 10 03 £	100	94½	95	-0¼	-0⅜	10.71
Inv.Industry Int.10 93 £	60	96	96½	-0⅛	-0⅜	11.08
Lloyds Bank 10¼ 98 £	150	93⅞	94⅜	-0⅛	-0⅜	11.26
Montreal Tst.10¾ 93 C$	100	†96¾	97¼	-0¼	+3	11.57
Mtge.Bk.Den. 6¾ 91 FL	100	100⅝	101¼	0	-0⅛	6.34
Nat. West.Bk.13⅛ 92 A$	50	†98¾	99¼	0	-0¼	13.40
Nationwide BS 10⅛ 93 £	75	96⅝	97⅛	-0⅛	-0½	10.99
Ned.Midd.Bank 6 92 FL	150	99⅜	99⅞	0	0	6.11
New Zealand 9½ 93 £	100	94⅛	94⅝	-0¼	-0⅜	11.07
New Zealand 7¾ 93 ECU	200	99⅝	100⅛	0	-0⅜	7.76
Oesters.Ktbk.13⅝ 94 A$	75	101¾	102⅜	0	-0⅛	13.12
Prudential Fin.9⅜ 07 £	150	†88¼	88¾	-0⅛	-0½	10.82
Royal Bk.Scot.10⅜ 98 £	125	95½	96	-0⅜	-0½	11.40
S.D.R. 7¾ 95 ECU	90	98⅝	99⅛	+0¼	-0½	7.96
Wstd.Lb.Fin. 12½ 93 A$	50	†99½	100	-0⅛	-0⅛	12.53
World Bank 5¾ 92 FL	100	98⅝	99⅜	0	-0½	6.05
World Bank 13⅜ 92 A$	100	†99⅜	99⅞	-0⅛	-1⅛	13.48

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.33	99.38	21/01	10.99
Belgium 91 US	0	100.41	100.51	21/02	9
Britannia 5 93 £	0⅛	99.63	99.68	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.35	99.53	22/02	8.94
Citicorp 98 US	†0¼	97.10	97.35	31/08	7.69
EEC 3 92 DM	†0	100.55	100.65	22/08	3.56
Halifax BS 94 £	.1	99.70	99.75	9/11	11.16
Invt. In Industry 94 £	0	99.68	99.78	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.83	99.88	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.72	99.78	30/09	10
New Zealand 5 97 £	.07	99.67	99.76	18/11	11.62
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.14	100.23	13/02	8.87
United Kingdom 5 92 US	*†0	100.05	100.05	7/01	7.81
Woolwich Equit.BS. 93 £	0⅛	99.57	99.62	15/07	5.12
Woolwich 5 95 £	0⅛	99.62	99.67	21/11	11.62

Average price change... On day -0.01 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	102⅛	102⅞	+0½	26.47
Alco Health 6¼ 01 US	*†7/86	26.25	105	106	0	-0.20
Amer. Brands 7¾ 02 US	†9/87	56.7	97	98	-0¼	19.53
Ashikaga Bank 2⅛ 02 US	4/87	967.	116⅛	118⅛	-2¼	-5.91
Asics 5 92 DM	12/83	472.7	208⅞	210⅛	0	5.71
CBS. Inc. 5 02 US	4/87	200.	89¼	89⅞	0	12.13
Fujitsu 3 99 US	5/84	1106.	279	280	-1	-2.24
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	121⅛	123⅛	-0¼	2.11
Land Secs. 6¾ 02 £	6/87	6.72	94¼	95¼	-0¼	15.14
MCA Inc 5½ 02 US	9/87	69.62	78⅜	79⅜	0	36.44
Minolta Camera 2¼ 94 DM	2/86	1004.	101⅞	103⅛	0	22.19
Mitsubishi Bk.1⅞ 02 US	9/87	3157.	107¼	108¾	-0½	2.56
Mitsui trust 2⅜ 01 US	10/86	1903.	118¼	120¼	-0⅛	1.23
Next Plc 5¾ 03 £	11/87	4.3	98⅜	99⅝	-0¼	87.77
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	112⅛	113⅞	-0⅜	4.66
Omron Tateisi 2⅝ 02 US	4/87	1310.	209½	210⅞	-3⅞	-3.08
Primerica 5½ 02 US	4/87	66.75	64¼	65¼	-0¼	55.02
Ranks Hovis 4¾ 03 £	†1/88	3.5	117½	118½	+0¼	-1.20
Redland 7¼ 02 £	1/87	5.4	86⅝	87⅝	-1¼	12.82
Saatchi&Stchi.6¾ 03 £	†10/89	4.41	98	99	-0½	19.01
Texas Inst. 2¾ 02 US	†9/87	82.87	72¼	73¼	+0¼	55.14
W.R. Grace 6¼ 02 US	9/87	42.12	80⅜	81⅜	-0⅛	40.49

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Emess up 78% and takes control of West German lighting group

By Clare Pearson

EMESS, acquisitive lighting fixtures and electricals accessories group, has doubled its stake in Brillantleuchten to 54 per cent, bringing the West German decorative lighting concern under its management control.

Emess accompanied the *announcement* yesterday with news of a 78 per cent rise in taxable profits to £4.5m, of which 28 per cent was organic. Earnings per share advanced 26 per cent to 11.7p (9.3p).

The latest move in Emess's international expansion plans follows the thwarting of its bid for Holophane, French industrial glass concern, earlier this summer. The French group fell to Thorn EMI after the Paris authorities refused to register Emess's bid for technical reasons.

The Brillant deal uses up £6m of the £39m raised through a rights issue in June, originally earmarked for the Holophane acquisition. Mr David Cutler, finance director, said Emess saw considerable scope for improving Brillant's margins, and would now be able to use its distribution channels in the US and Australia. It intends to increase its stake further next year.

The seasonal nature of the decorative lighting business means that Brillant, along with Alsy Corporation, whose £27m acquisition in February marked Emess's debut in the US, is expected to make most of its contribution in the second half.

The decorative lighting side of Emess' business increased its market share in the first half with a 16 per cent rise in sales. Marlin, the UK commercial lighting subsdiary, achieved strong profits growth

The electrical accessories side of Emess's business, Tenby Electrical, saw profits and sales "well up" in the period, reaping the fruits of rationalisations.

Mr Michael Meyer, chairman, noted in his statement that the UK accessories market was due for a "major re-alignment." "We intend to play a prominent part in this," he said.

Of the unrelated businesses bought with Tenby Industries in January last year, Bulpitt, specialist engineer, suffered from lower defence orders, but Michael Black, brown goods distributor, came out well ahead. BKB Electric Motors was sold in January for £3m.

Group turnover rose to 39.93m (£30.17m). A £105,000 extraordinary profit represented the gain on disposal of BKB, less the costs of the Holophane bid. The interim dividend is increased to 3.4p (2.8p).

● COMMENT

Emess' shares, on a prospective p/e above 14.5 if it makes £15.5m pre-tax this year, are in "wait and see" mode ahead of finding out what it will do with the funds it was unable to spend on Holophane. Hints provided by the management yesterday suggested a joint venture or acquisition on the lighting accessories side might be in view, whilst Mr Cutler also expressed interest in the emergency lighting and fire avoidance sectors, which are growing fast and whose products could be sold through Emess' existing channels. What the market would not like to see would be any expansion of domestic lighting, given worries about both the building industry and retail sales. Indeed, such concerns could begin to work on Emess's share price; though since its products are sold when houses are finished, and many of them have a recession-proof DIY-flavour, it has some insulation against a a downturn in the economy. And the more the lighting sector cheapens, the more opportunities for building on Emess' excellent track record in acquisitions.

Michael Meyer — accessories market due for re-aligment.

Renaissance aims to set up US operation

By Andrew Hill

RENAISSANCE HOLDINGS is hoping to set up a US operation to pursue its strategy of investing in companies which need redeveloping or turning round.

Renaissance America is to be established as a small business investment company (SBIC), under a scheme operated by the US Government, and will invest in companies on the east coast.

The Government lends SBICs $4 for every $1 of the new investment company's equity. The SBIC then has to provide venture capital for small independent businesses.

Yesterday Renaissance announced interim pre-tax profits of £244,000 for the six months to June 30. Net assets were 100.37p at that date, against 95.34p on December 31 1987, and compared with yesterday's unchanged share price of 93p.

Mr Nicky Branch, chairman, said Renaissance America would only invest in companies approved by the Securities and Exchange Commission, the US regulatory body, to keep the risk to a minimum. It was hoped approval would be given to set up an SBIC by late 1988 or early 1989.

Earnings were 2.16p in the first half of 1988 and an interim dividend of 1.2p has been declared.

Between March 1987, when Renaissance came to the market, and June 30 1987, it made £172,000 before tax, and earnings per share were 1.7p.

Mr Branch added that the group would probably realise the first significant gains from existing investments towards the end of this year.

Renaissance already has investments in two US companies listed on NASDAQ and last year helped with a refinancing package for Munton Brothers, the listed Northern Ireland textile company. It also earns fees from providing consultancy services and corporate finance advice.

Hartons improves 11% to £2.3m in first six months

By Ray Bashford

HARTONS GROUP, the plastic distributor and PVC foam maker, lifted pre-tax profits 11 per cent from £2m to £2.3m during during the six months to June 30 as the company continued to digest recent acquisitions.

Reflecting the impact of costs associated with these recent expansions, growth in turnover far outstripped the profit improvement, rising 44 per cent to £55.9m, compared with £38.9m in the previous corresponding period.

The board declared an unchanged 0.61p dividend. However, the dividend is equivalent to a 24 per cent increase over the previous interim for shareholders who participated in a rights issue in March.

Earnings per share were 1.78p, against 2.01p after adjusting for the two-for-five rights issue.

Elson & Robbins, the group's principal manufacturing arm achieved what Mr Max Maimann, the chairman and chief executive, described as "significant" growth in domestic and international sales of both PVC foam and spring assemblies but this was not matched by profits.

The division's performance was also hit by the strength of sterling against other currencies and a squeeze on margins which followed the expansion.

The VT group, the plastics *distribution arm, returned* record sales figures from UK operations and it also boosted its contribution to group profits.

The division's operations in France were below expectations, while in Spain activities were expanded more rapidly than expected.

Sales in Belgium grew through the opening of two new branches.

In the US, sales grew by 160 per cent and the operations made a maiden but unspecified contribution to group profits.

There are plans to expand into two other European countries, lifting the number of distribution branches to 80 in eight countries.

The result also included a loss of £118,000, relating to the sale of K L Jeenay last June.

● COMMENT

The aggressive acquisition programme impaired the company's ability to boost profits significantly during the first half. However, there is every reason to believe that it will bear more fruit during the current six months with the final quarter shaping up as a strong period for growth. Costs associated with the expansion will continue to enter the accounts but they should ease and help in addressing the squeeze on pre-tax margins evident in the latest results. Further acquisitions in pursuit of a European distribution network for its products cannot be ruled out. With 1992 looming, such a network could prove an important avenue for the expansion of the range of products at present distributed. Development of the UK distribution network could also be achieved through further smaller purchases. Assuming a pre-tax profit of £6.7m for the full year, the shares are trading on a prospective p/e of 10.

Macdonald Martin hits £0.8m

A return to more normal trading in the first half of 1988 helped Macdonald Martin Distilleries to interim pre-tax profits of £805,000, against £347,000 last time.

Turnover increased by 18 per cent to £9.39m (£7.97m) and earnings per A limited voting 50p share were 23.86p (10.74p).

An interim dividend on the A shares of 6p (4p) has been declared.

The company said the improvement was also the result of a continuation of the improved performance experienced in the second half of the previous year.

Sales of the Glenmorangie single malt whisky were particularly strong.

Operating profit was £1.15m (£802,000) and the pre-tax figure was struck after lower interest charges of £348,000 (£455,000).

Tax took £161,000 (£57,000).

UniChem meeting called off

A SPECIAL meeting called by dissident members of UniChem, the independent chemists' wholesale co-operative, to debate the future of the friendly society, is to be dropped after an agreement reached in the High Court in London yesterday.

Following a brief hearing before Mr Justice Harman, lawyers for both sides in the dispute said the meeting requisitioned for September 14 would not now take place.

The dispute over UniChem's future was sparked off by its introduction of a controversial incentive scheme for its member chemists in January this year.

After attempts to call a meeting by dissident members led by Rother Pharmacies, of Rotherham, South Yorkshire, which claims to have the support of nearly 600 others, UniChem began court proceedings seeking declarations blocking the moves for the special meeting.

Mr Martin Mann QC, for UniChem, told the judge yesterday that both sides had come to "a sensible compromise" for the time being.

Rother Pharmacies agreed to give temporary undertakings not to take any further steps to publicise the special meeting or to put a resolution to accelerate the conversion of UniChem into a limited liability company — or encourage others to do so.

Mr Mann said court action had been made necessary because Rother Pharmacies considered that it had properly requisitioned the special meeting for September 14.

UniChem, however, took the view that two meetings held on May 18 and July 17 and a subsequent ballot had resolved any question as to the desire of members to introduce and carry forward the incentive scheme which had been brought in "for the overall commercial benefit of the society and its members."

Mr Mann added that UniChem would have argued that Rother Pharmacies had taken a different view because there was another interest at stake, namely that of one of UniChem's principal competitors, Vestric — a subsidiary of AAH

Giving the undertakings on behalf of Rother Pharmacies, Mr William Blackburne QC said he did not wish to engage in any debate on the merits of the dispute.

Seamen's action puts IoM Steam into the red

INDUSTRIAL action by the National Union of Seamen led to nine weeks' loss of trading for the Isle of Man Steam Packet Company during the six months ended June 30 1988.

This resulted in a pre-tax loss of £659,000 for the period compared with a £36,000 profit.

Turnover fell from £7.69m to £6.76m and the trading loss amounted to £526,000 (£327,000 profit).

Mr N.R. Corlett, chairman, said that loss would have been greater without the continuing improvements made within the group and the growth in the Isle of Man's economy.

Although in the last annual report he had indicated the directors' intention to recommend an interim dividend, the effect of the recent strike made it imprudent to do so.

Justification for a final dividend would be determined largely by trading in the busier second half, he said.

There had been an underlying increase in commercial freight volumes during the first half, with passenger and car numbers generally performing up to expectations.

Disposal of fixed assets and income on bank deposits contributed £5,000 (nil), while interest charges fell to £141,000 (£291,000).

There was a tax credit of £132,000 (£7,000 charge) after which the attributable loss was £527,000 (£29,000 profit) for losses per £1 stock unit of 17.6p (1p earnings).

Lec at £2m as margins rise again

A continued improvement in margins enabled Lec Refrigeration, manufacturer of commercial and domestic refrigerators, to lift its first half profits from £1.11m to £1.98m at the pre-tax level.

The directors said yesterday that it was difficult to estimate the effects of recent increases in interest rates, but they hoped the present level of margins would be maintained and that overall results for the year would compare favourably with 1987.

For the six months to end-June 1988 turnover advanced by just under £1m to £27.63m and pre-tax profit margins worked through at 7.13 per cent (4.1 per cent).

Earnings rose to 21.05p, an improvement of 9.19p. The interim dividend is 4p (same).

Dunton advances by 58% to £0.77m

Dunton Group, USM quoted property developer, brick maker and civil engineering contractor, continued its recent growth by lifting its turnover 84 per cent and pre-tax profit 58 per cent in the year ended May 31 1988.

Turnover was £3.91m (£2.12m) and profit £774,881 (£489,153). Earnings were 2.88p (1.64p) and the final dividend is 0.5p to make 0.76p (0.5p).

Trading results for the year reinforced the historic trend towards a greater involvement in residential and property development.

COMPANY NEWS IN BRIEF

ALLIED PARTNERSHIP Group, plant hire company, has increased its stake in Caffyns, Eastbourne-based motor dealer, to 12 per cent of ordinary shares and 7.5 per cent of voting shares.

BROAD STREET Group: Valid applications have been received in respect of 38.3 per cent of the shares available for subscription. Balance to be taken up by original placees.

CASE: Dowty has more than 50 per cent of votes and declared its offer unconditional as to acceptances. Offer remains open. Acceptances of the offer had been received in respect of 58.4 per cent of the capital and 64.2 per cent of the shares subject to the offer. Dowty purchased 9.1 per cent in the market.

EDMOND HOLDINGS, housebuilder, has acquired two sites in Lincolnshire and east Yorkshire, providing more than 350 units at a total cost of less than £2.5m.

ELLIS & GOLDSTEIN: offer by Alexon Group accepted in respect of 80.2 per cent of ordinary capital, 91.8 per cent of preference and 59.1 per cent of the participating preference.

MURRAY INCOME Trust: Net asset value per ordinary and 'B' ordinary 224.4p (259.4p). Earnings per share 7.25p (6.26p). Proposed final dividend 4.6p (4.2p), making total for the year of 7.1p (6.2p). Directors also announced interim dividend of 3.5p, payable April 14 1989, for six months to end-December 1988.

NEWMAN TONKS Group subsidiary, *Randall Electronics*, has acquired the manufacturing and selling rights for domestic central heating programmers and the El electronic timeswitch from Sangamo Controls, for about £700,000 depending on stock evaluation.

OWNERS ABROAD Group has received acceptances for its rights issue in respect of 28m new ordinary shares (97.45 per cent). The balance, of 733,039 shares, has been sold in the market.

PARKFIELD GROUP, which has interests ranging from foundaries to video distribution, has acquired from the receivers the business and certain assets of Dover Engineering Works for £670,000, excluding goodwill.

PENNINE OPTICAL: Sales £599,000 (£462,000) and pre-tax profits £95,000 (£50,000) for half year to April 30 1988. Tax £33,000 (£17,000). Earnings per 50p share 2.7p (1.5p). Company's shares are traded on Third Market. It assembles spectacles and imports frames.

REED INTERNATIONAL has acquired Interfama Trade Fairs, an exhibition organising company in Singapore, for S$2.25m.

WH SMITH, retail and distribution group, said 1.09m of the2.42m 'A' ordinary shares issued to the vendors of Satex, a private office stationery company bought for £7m earlier this month, had been placed by Cazenove at 260p.

UNITED SCIENTIFIC Holdings will pay a dividend of 2.75p to holders of 5.5 per cent non-voting redeemable preference shares. Dividend, in respect of the half-year, to be paid October 3.

WATERGLADE: Some 53.6 per cent the recent rights issue of 13.12m 7.75 per cent convertible cumulative redeemable preference shares was taken up. The balance was subscribed for by the sub-underwriters.

Strong advances in all core businesses

Hilton helps Ladbroke soar to £118m

By Clay Harris

LADBROKE GROUP, the hotels, property, betting and retailing company, more than doubled pre-tax profits to £118.2m in the six months to June 30. The results, well ahead of most expectations, kept Ladbroke's shares afloat in yesterday's sea of red. They closed 5p higher at 452p.

Hilton International, the hotel chain bought for $1.06bn (£645m at the then prevailing exchange rate) from Allegis Corporation of the US last October, contributed an estimated £32m, more than one quarter of the pre-tax total, in its first full six months in the group.

Mr Cyril Stein, chairman, said yesterday that Hilton was on course to contribute $100m in the full year. In 1987, Hilton made $65m, although it was part of Ladbroke for only 11 weeks.

He stressed, however, that the group's profits advance was strong in all businesses, including Texas Homecare DIY stores, Britain's largest betting chain and a property division which had more space under development and planned than ever before.

Mr Stein also ruled out any major acquisitions in the near future, although further "in-filling" additions were likely to core businesses. The emphasis, however, would be on organic expansion. "We are brimful of opportunities," Mr Stein said.

Significant cost savings and improved productivity had been achieved at Hilton, Mr Stein said. The group was aiming to reduce Hilton's staff costs as a proportion of gross revenues to less than 30 per cent (against 38 per cent at the time of takeover), although not as low as the 23 per cent which had prevailed in Ladbroke's pre-acquisition hotels.

In the UK, the racing division was achieving higher margins than the industry norm. Credit betting for larger clients had proved a success, and the introduction of live racing broadcasts by Satellite Information Services was expanding the size of the market.

The pre-tax profits advance from £55.2m was achieved on turnover ahead by 48 per cent from £970m to £1.44bn. The 1987 period was hit by £4m losses from the holiday camps since sold to Mecca Leisure.

The estimated tax charge slipped to 35 per cent from 36.2 per cent at the interim stage last year and 35.4 per cent for 1987 as a whole. An extraordinary after-tax profit of £23.9m (£19.7m) arose from the sale of peripheral businesses.

Earnings per 10p share of 18.11p came out 68 per cent above the previous 10.77p figure adjusted for last autumn's one-for-five rights issue. The interim dividend is increased to 6.9p (6.05p).

See Lex

Cyril Stein – we are brimful of opportunities

USH ready to raise Varo bid to at least $115m

By Clay Harris

UNITED SCIENTIFIC Holdings, defence equipment group, is willing to raise its bid for Varo, Texas-based maker of police and military night-vision devices, to at least $115m (£68.5m).

The UK company's new proposed offer of $26 per share would top by $1 the bid Varo recommended earlier this week from IMO-Delaval, another US group. USH successfully flushed out IMO's "white knight" bid when it raised a five-month-old $17.50 offer with one of $22 last week.

As with its previous terms, USH said it would finance the latest cash bid from its own resources. The offer is subject to several conditions, including the redemption of a "poison pill" provision introduced when USH launched its first bid.

USH already owns 9.9 per cent of Varo.

Lopex buys RCF Marketing

By Ray Bashford

LOPEX has moved towards the integration of direct marketing into its advertising and communications operations through the purchase of RCF Marketing Group.

RCF is being acquired for an initial consideration of £4.5m coupled with a profit performance agreement extending to 1992 which could add £4.3m to the purchase price.

Lopex will satisfy the initial payment through the issue of 1.96m shares, of which 1.5m have been conditionally placed at 225p compared with yesterday's closing price of 238p. The remaining shares will be retained by the vendor for a minimum of one year.

Mr John Castle, chairman, said the acquisition would allow Lopex to offer clients a broader range of services which would be applicable to UK and European operations. The two companies share several clients in media advertising and direct marketing capacities and these services would now be united, he said.

RCF provides a range of direct marketing services, includingcampaign planning, mailing list section and telemarketing. It lists Royal Mail, British Airways and Solid Fuels Advisory Service among its clients.

In the year to last November, RCF returned pre-tax profits of £503,000 and achieved profits of £455,000 in the following six months. Under the agreement there is a minimum profit target of £1.3m in 1990, rising to £1.9m in 1992.

UEI spends $20m on US nuclear detector

By Nikki Tait

UEI, high-technology electronics and engineering group, announced yesterday that it was acquiring The Nucleus, a Tennessee-based nuclear detection equipment company, for $20m (£11.91m).

Nucleus is a private company, started up about 15 years ago. Included in the group is a subsidiary, called Tennelec, which is one of the world's three suppliers of high purity germanium – a semi-conductor used to detect higher energy radiation. Tennelec also recently introduced a range of germanium detectors.

UEI says that Nucleus' business is strongly complementary to that of its Link Analytical subsidiary, which makes scientific, medical and industrial analysis equipment. It points out that Link Analytical recently unveiled a range of X-ray spectrometers, which use germanium detectors, and maintains that there should be both marketing and R&D advantages from combining the groups.

In the year to the end of May, Nucleus made pre-tax profits of $2.3m on sales of $13.6m. This compares with figures of $394,000 and $8.4m respectively in 1985/6. About three-quarters of the company's sales come from the nuclear instrumentation side and the rest from sales of germanium. About 60 per cent of total sales are within the US with the remainder spread principally in Europe and the Far East.

Net assets at the end of May were $4.2m.

The acquisition cost is being met by $13.6m of cash and the issue of approximately 950,000 new shares. Although Nucleus has about 100 shareholders, despite its private status, the board controls around 80 per cent of company and is unanimously backing the offer.

UEI – which was overtaken in its pursuit of Kevex, another US company, earlier this year by VG Instruments – says that, in this instance, Nucleus made the first approach a couple of months ago.

The two founder shareholders and principal directors are signing three-year service contracts. They have undertaken to retain all their UEI shares for at least one year, and then at least 50 per cent for two years. UEI says it expects slight earnings enhancement from the deal, and yesterday (despite dire conditions) its shares gained 1p to 409p.

Pergamon PFS buys AGB stake and may launch bid

By Ray Bashford

Pergamon Professional and Financial Services, part of the Maxwell empire, yesterday snapped up a 14.9 per cent stake in AGB Research, Britain's largest market research group, and has requested negotiations for a possible takeover.

The proposed talks with PPFS throw into doubt AGB's complex restructuring deal with MAI, the money-broking and advertising group, which was disclosed last month.

PPFS, which changed its name from Hollis earlier this year after selling its engineering interests to management, is controlled by the Liechtenstein-based Maxwell Foundation.

AGB's shares yesterday closed 3p higher at 190p, capitalising the company at £81.7m. The share purchase was not disclosed until after the market closed.

One of AGB's largest institutional shareholders, TR Industrial and General Investment Trust, last night would not say whether it still owned a previously disclosed 11.2 per cent stake.

Last month, MAI agreed to lift its stake in AGB to about 30 per cent by selling its US market research company, MRI, to AGB for a mixture of ordinary and convertible preference shares. AGB also sold an exhibition business and publishing subsidiary to Emap.

The deal signalled AGB's abandonment of its attempt to break A.C. Nielsen's domination of the £80m-a-year US television audience measurement business. The US subsdiary lost £45m in 12 months, although the July deals with MAI and Emap recouped £40m of that figure.

PPFS supplies legal services through the Solicitors' Law Stationery Society, which trades as Oyez, and Millar & Bryce in the UK, school administration software in North America and government and industrial technical documentation worldwide.

Earlier this month, it agreed to buy Squires Appointments, a Reading-based employment agency, for £4.7m.

Wolstenholme reiterates objection to Cookson bid

By Clare Pearson

WOLSTENHOLME RINK yesterday restated its view that specialist metals and chemicals company Cookson Group's £25m bid was "wholly inadequate". This was after Cookson had posted another letter to its shareholders on Wednesday, arguing the industrial logic of a takeover.

Mr Paul Rink, joint managing director of the Lancashire-based lithographic materials group, said: "The letter was just a holding operation. I cannot imagine many shareholders would accept an offer so far below where our share price is at the moment."

Under Stock Exchange rules, Wolstenholme now has just a week in which to provide further financial information.

Cookson's five-for-three share offer yesterday valued its shares at 407p, which compared with a close of 480p. Last Friday, acceptances from about 0.3 per cent of shareholders had been received.

Cookson has accused the company of vagueness both in its contention that there would be no industrial benefits in putting the businesses together, and about its future prospects as an independent concern.

American Distributors acquisition

By Philip Coggan

AMERICAN Distributors, the former Sapphire Petroleum, has agreed to buy Modern Tobacco Industries, a US tobacco distribution company, for a maximum of $4.75m.

Sapphire, an oil exploration group, was transformed into American Distributors in April as the latest in a series of deals put together by financiers Mr Mark Vaughan-Lee and Mr Christopher Mills.

The Sapphire restructuring injected an American group into a UK company with substantial tax losses in the US.

Golden and Valley Stream, the two companies acquired in the restructuring of Sapphire, were both tobacco and confectionery distributors based in New York state. Modern, based in the same state, made pre-tax profits of $1.33m last year.

Lower expenses help Arnotts to 49% increase

LARGELY DUE to reduced expenses, Arnotts, Dublin-based department store operator, achieved a 49 per cent increase in pre-tax profits to I£767,000 (£650,000) for the six months to July 31, compared with a previous I£514,000.

Turnover showed a decline from £22.55m to £21.5m. The 1987 figure included £1.98m in respect of Ballet International, the foundation garment maker since sold.

The directors are maintaining the interim dividend at 4.5p, payable from earnings of 4.56p (3.91p) per £1 share.

They said the weakening of the Irish pound against sterling and competitive pressures had affected gross margins. There were some indications of an improvement in sales, but they said it was too early to comment on the expected outcome for the year.

CTI adds to its estate agencies

By Philip Coggan

CONSOLIDATED TERN Investments, USM-quoted construction and property services group, is paying an initial £2.75m for Nationwide Estate Agents Limited (NEAL), a company which made pre-tax losses of £943,000 last year and which is controlled by a major shareholder in CTI.

The substantial shareholder is Mr Michael Allen, who owns 30.9 per cent of CTI, and who built up the Allen and Harris estate agents chain, before selling it to Royal Insurance in 1985. Mr Allen controls Nationwide Investments, which is the vendor of NEAL. He will not be voting on the transaction at the extraordinary general meeting which will be called to approve it.

Mr Allen supported CTI via loans and underwriting when the group, which joined the USM as a small Welsh construction company in 1984, slumped into losses last year. As a prerequisite for his investment, new management was brought in; and the group made several acquisitions of estate agencies late last year.

The NEAL acquisition will substantially build up CTI's estate agency business, bringing its total number of branches to 51. Although NEAL made losses last year, that was due to the cost of new issue start-ups and to a high level of administrative expense which is not expected to recur. CTI's directors are confident that the group will be profitable in the future.

Further payments of up to £1m will be paid to the vendors of NEAL depending on the extent to which profits exceed £238,000 in the year to September 30 1989.

Consideration is in the form of just over 5m shares, of which Nationwide Investments will retain 1.3m. The remaining 3.7m shares, together with a further 590,000 shares, are being placed at 54p per share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Arnotts ....int	4.5♣	-	4.5	-	12
Dunton Gp § ....fin	0.5	-	0.3	0.78	0.5
Emess ....int	3.4	-	2.8	-	8
Hartons ....int	0.61†	Oct 25	0.61	-	1.48
Heath (Samuel) ....fin	4.3	-	3.3	5.3	3.3
Ladbroke ....int	6.9†	Dec 5	6.05	-	13.89
Lec Refrig ....int	4	Oct 15	4	-	13.5
Macdonald Martin....int	6	—	4	—	24
Murray Income ....fin	4.6	Oct 26	4.3	7.1	6.2
Murray Income ....int	3.5	Apr 14	2.5	-	7.1
Renaissance ....int	1.2†	-	-	-	3.03
Wates City ....int	0.77	Oct 31	0.77	-	2.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Braime (T.F. & J.H.), Jaguar, Newmarket Co., Parambe, Refuge, Wessex ... Finals- Automagic, Framlington Far East, West Trust.

FUTURE DATES

Interims-	
Abbott Mead Vickers	Sept 14
BAA	Nov 16
Campari International	Sept 5
Church & Co.	Sept 1
Hillsdown Holdings	Sept 7
Perry Group	Sept 15
Finals-	
Alumasc	Sept 9
Barrett (Henry)	Oct 26
Cook (D C)	Sept 14
Isotron	Sept 7

Exmoor Dual Investment Trust launched

By Philip Coggan

A new investment trust was launched yesterday, and despite the holiday season, the plunging stock market and rising base rates, brokers Rowe & Pitman reported no difficulties in placing the shares.

Exmoor Dual Investment Trust is a split level trust, with three classes of shares. These are 7.5m ordinary with a par value of 25p, 4.5m zero coupon preference shares with a par value of 100p and 7.5m income shares, also with a 100p par value.

The ordinary shares were placed at 40p, a 47 per cent discount to their asset value, based on the net proceeds of the placing.

The income shares have an estimated gross dividend yield of 9.2 per cent; the zero coupon shares will be repayable at 489.8p each in 2001.

Total proceeds of the issue will be £14.7m after expenses. The managers of the fund will be Ian Henderson Associates.

Doubled profits of £1.3m and rights at Creighton

By Clare Pearson

CREIGHTON Laboratories, USM-quoted natural beauty products manufacturer, is to raise £3.1m through a rights issue in response to the sharp increase in the volume of its business.

Much increased demand from Body Shop and Crabtree & Evelyn, among other retailers, meant Creighton more than doubled pre-tax profits to £1.26m on a 64 per cent rise in turnover to £6.86m in the year to March 30. Before the rights issue, its gearing stands at about 60 per cent.

Mr Richard Collard, chairman, said the one-for-four issue of 916,900 new shares at 350p would provide the necessary capital base to finance acquisitions, as well as in the short-term to reduce bank borrowings.

Shares to which the Collard family and that of another director Mr Patrick Hammond-Turner are entitled under the rights issue, amounting to about 13.8 per cent of the enlarged share capital, are being placed.

On current trading, Mr Collard said export markets were still expanding and showed great promise in all areas.

The new premises for soap and powder production opened in April was working at full capacity, and a further new factory should be opened by the beginning of next year.

S Heath inches up

Samuel Heath & Sons, manufacturer of giftware and hardware, saw pre-tax profits inch up from £549,000 to £558,000 for the year to the end of March. This was achieved on turnover which rose 11 per cent from £5.83m to £6.45m.

Earnings were 11.83p (11.63p) per 10p share. The directors have proposed to raise the final dividend 30 per cent to 4.3p (3.3p) to make a total for the year of 5.3p (3.3p).

SHT/Rangaire

Scottish Heritable Trust, the York-based industrial and property group which recently acquired 28.14 per cent of Rangaire Corporation, is looking at ways to increase profitability.

In a filing with the Securities and Exchange Commission, SHT said of Rangaire that it may "propose possible ways to attain increased profitability, such as restructuring present operations or an extraordinary corporate transaction."

Raine now controls 6.6% of Ruberoid

Raine Industries, housebuilder, said its associate company, Moodscatter, had further increased its stake in Ruberoid, the roofing materials group for which Raine has launched a bid. Raine and Moodscatter now hold 6.64 per cent of Ruberoid between them.

The housebuilder's hostile bid values Ruberoid at about £123m, or 246p a share, although there is a full cash alternative of 254p per share.

Raine's shares fell 2p to 93p yesterday, while Ruberoid was unchanged at 254p.

Leisuretime buys more nursing homes

Leisuretime International, hotel and travel group, is to buy two nursing homes in Blackburn to bring the company's total to 11.

Leisuretime, controlled by the Jivraq family since March, is to pay £1.25m cash for Golden Key Homes, which has a total of 53 registered beds.

COMPANY NEWS IN BRIEF

GAYNOR GROUP: the offer from the Scowcroft family has been accepted in respect of 52.91 per cent of the capital, of which 50.16 per cent represented irrevocable undertakings from the Foster family. The offer closes on September 7 and will not be extended.

GENERAL ACCIDENT has purchased Aspinwalls Estate Agents, with two offices in Lancashire. Its net assets were some £35,000 and GA is issuing 24,961 shares (worth £225,000 at yesterday's prices) as part of consideration.

HOBSONS PUBLISHING received applications in respect of 224,746 of total 540,332 shares available under the open offer. That included 241,397 subject to undertakings by certain directors not to take their entitlement, so company shareholders took 75 per cent of their entitlement.

KOREA EUROPE Fund: Net asset value $15.36 (£9) at end-June. Net revenue $98,000 for period March 12 1987 to June 30 1988. Earnings per share 3.27 cents.

MARTIN (RONALD) GROOME: Offer from Waverley Cameron accepted in respect of 8.15m shares (76.36 per cent) and has been extended until September 6.

Moorgate property sale boosts Wates profit to £25m halfway

By Andrew Hill

THE SALE of its interest in an office building boosted pre-tax profits at Wates City of London Properties to £24.6m in the six months to June 30. The 42,600 sq ft building, at 51 Moorgate, London was sold in February to Westdeutsche Landesbank Girozentrale.

Wates, which is devoted almost exclusively to the development of offices in the heart of the City, took the £20.3m profit from the sale above the line, but singled it out as exceptional. As a result, earnings per share rose sharply from 2.2p to 13.05p.

Operating profit increased 42 per cent to £4.93m (£3.48m). However, Wates paid out £645,000 in interest – against £859,000 of interest receivable in the first half of 1987 – leading to a slight fall in profits before the exceptional item and tax, to £4.29m.

This compared with pre-tax profits of £4.34m in the equivalent period, when there were no exceptional gains.

Mr John Nettleton, finance and commercial director, said the accounting policy was justified because Wates financed its development programme at least partly from the sale of investment properties.

He added that the increase in interest payable reflected Wates' purchase of some 2.89m of its own shares, and the £16m acquisition of Thames House, next to its Vintry House office development which will jut out over the River Thames.

These moves reduced interest receivable but net rental income rose 36 per cent to £5.59m (£4.11m). The group declared an unchanged interim dividend of 0.77p.

Mr Nettleton said demand for office space was still firm, especially from European institutions. "There are still enough people who want very high quality buildings in the core of the City," he said.

● COMMENT

Wates is bound to suffer from observers' fears about the City property market. Most analysts agree that such worries are largely in the mind, but the psychological block may hold the share price back. The company insists on the quality of its portfolio and the location of the developments, which include 400,000 sq ft of offices at City Plaza, spanning London Wall, and Winchester House, with 379,000 sq ft on Old Broad Street. Wates claims demand is likely to remain buoyant in and immediately around the Square Mile, even if the City fringes go soft. Underlying profit growth for the full year should be flat, but the net asset value is the more relevant figure. This should rise from 202.1p per share to 245p or more, leaving the shares – down 4p yesterday at 167p – looking fairly attractive on a discount of more than 30 per cent to NAV.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound steadier after rate rise

A ONE point rise in UK base rates to 12 p.c. helped sterling to recover from the day's lows, touched after news of a UK current account deficit of £2.15bn in July.

Initial reaction to the trade figures - the worst on record - pushed sterling down sharply against the D-Mark to a low of DM3.1350, before it recovered after the Bank of England signalled a rise in rates.

Nevertheless the pound still finished down from overnight levels against its European partners, although it managed a better performance against a weaker dollar.

Early trading saw the pound open slightly down from Wednesday's close, as investors retained short positions ahead of the trade data. But the size of the deficit - double most expectations - managed to catch nearly everyone off guard, and sterling lost 1¼ pfennigs against the D-Mark soon after the figures became known.

Sterling closed at DM3.1650 from DM3.1750 and FFr10.7550 from FFr10.7850. It was also weaker against the Swiss franc at SFr2.6700 compared with SFr2.6775. It was higher against the dollar at $1.6995 from $1.6785, and with the US unit only slightly lower against the yen, so sterling managed to improve to Y226.50 from Y225.50.

On Bank of England figures, the pound's exchange rate index finished unchanged at 75.9, having touched a low of 75.6.

The dollar lost ground against the D-Mark, as the West German Bundesbank increased its discount rate by half a point to 3½ p.c. Confidence was also shaken after comments from Mr Karl Otto Poehl, Bundesbank president, when he stressed that the Bundesbank would do its utmost to stop a further D-Mark devaluation. He added that the current dollar rate was not as agreed in the Louvre Accord.

Central banks were seen in the market, with the Bundesbank and Swiss National Bank both selling dollars. The Bank of Italy sold a nominal $22m at the fixing in Milan while the Bank of England was also reported to have sold the US unit.

News that US second quarter GNP had risen by a revised 3.3 p.c. was exactly in line with expectations, and had little effect on trading. However renewed concern about inflation provided some underlying support, after revisions pushed the second quarter price deflator up by 5.1 p.c. against 4.1 p.c. as previously reported.

The dollar fell to DM1.8630 from DM1.8920, its lowest level since late July, and Y133.30 from Y134.30. Against the Swiss franc it slipped to SFr1.5710 from SFr1.5950 and FFr6.3275 from FFr6.4250. On Bank of England figures, the dollar's exchange rate index fell from 100.0 to 99.2.

Elsewhere the D-Mark climbed to the top of the European Monetary System, replacing the Irish punt as the most improved currency from Ecu central rates. The Bank of France was reported as selling D-Marks, after the Bundesbank increased its discount rate, and this helped to stabilise the D-Mark/French franc cross-rate. The franc was also helped by a rise in French money market intervention rates.

£ IN NEW YORK

Aug.25	Latest	Previous Close
£ Spot	1.6970-1.6980	1.6850-1.6860
1 month	0.41-0.40pm	0.40-0.38pm
3 months	1.25-1.23pm	1.23-1.20pm
12 months	3.63-3.58pm	3.63-3.56pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.25	Previous
8.30 am	75.8	75.9
9.00 am	75.8	75.9
10.00 am	75.9	75.9
11.00 am	75.8	75.9
Noon	75.6	76.0
1.00 pm	75.8	76.0
2.00 pm	75.7	75.9
3.00 pm	75.9	75.9
4.00 pm	75.9	75.9

CURRENCY RATES

Aug.25	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.765584	0.657950
U.S Dollar	6.50	1.28733	1.11194
Canadian $	8.75	1.58560	1.37024
Austrian Sch.	4	17.1768	14.6008
Belgian Franc	7	51.1199	43.5128
Danish Krone	7½	9.37048	7.97480
Deutsche Mark	3½	2.44078	2.07509
Neth Guilder	4	2.75424	2.34274

*All SDR rates are for Aug.24

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Korea(Sth)	1212.40-1222.15	719.30-725.10
Kuwait	0.48230-0.48280	0.28475-0.28485
Luxembourg	66.50-66.60	39.10-39.20
Malaysia	4.4850-4.5075	2.6550-2.6565
Mexico	3865.00-3886.00	2279.00-2280.00
N. Zealand	2.6415-2.6465	1.5615-1.5640
Saudi Ar.	6.3515-6.3570	3.7495-3.7505
Singapore	3.4310-3.4456	2.0325-2.0355
S. Af (Cm)	4.0755-4.0970	2.4150-2.4200
S. Af (Fn)	5.9425-5.9865	3.5090-3.5350
Taiwan	48.15-48.40	28.60-28.70
U.A.E.	6.2210-6.2265	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5128	+2.48	+1.01	±1.5344
Danish Krone	7.85212	7.97480	+1.56	+0.09	±1.5404
German D-Mark	2.05853	2.07509	+0.80	-0.67	±1.0981
French Franc	6.90403	7.04689	+2.07	+0.60	±1.3674
Dutch Guilder	2.31943	2.34274	+1.00	-0.47	±1.5012
Irish Punt	0.768411	0.774706	+0.82	-0.65	±1.6684
Italian Lira	1483.58	1541.59	+3.91	+3.94	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6700-1.6985	1.6990-1.7000	0.48-0.45cpm	3.28	1.34-1.29pm	3.10
Canada	2.0750-2.0965	2.0935-2.0945	0.36-0.26cpm	1.78	0.92-0.80pm	1.64
Netherlands	3.54¼-3.58¼	3.57¼-3.58¼	1¾-1⅝cpm	5.87	5⅛-5¼pm	5.87
Belgium	66.15-66.60	66.50-66.60	31-15cpm	4.15	78-68pm	4.39
Denmark	12.11½-12.18½	12.17½-12.18½	3⅝-2⅝orepm	3.08	10-9pm	3.12
Ireland	1.1735-1.1835	1.1810-1.1820	0.41-0.34pm	3.81	1.25-1.12pm	4.01
W. Germany	3.13½-3.17¼	3.16¼-3.16¼	1¾-1½pfpm	6.16	5½-4¾pm	6.24
Portugal	259.65-261.30	259.70-260.70	20-70cdis	-2.08	44-141dis	-1.42
Spain	208.15-209.20	208.70-209.20	22-2cpm	0.69	65-43pm	1.03
Italy	2333¾-2365¾	2351½-2352½	1-parlirepm	0.26	4-parpm	0.34
Norway	11.59-11.69¾	11.68¾-11.69¾	1⅝-2oredis	-1.73	4⅞-5¾dis	-1.82
France	10.67¾-10.78½	10.75-10.76	3¼-2¼cpm	3.42	9½-8½pm	3.35
Sweden	10.86¾-10.95½	10.94½-10.95½	1½-⅝orepm	0.96	3⅝-2⅝pm	1.10
Japan	223¾-227	226-227	1⅜-1¼ypm	6.62	4-3¾pm	6.84
Austria	22.18-22.31	22.18-22.21	11¾-11gropm	6.18	35½-32¼pm	6.07
Switzerland	2.64¾-2.67½	2.66½-2.67½	2-1¾cpm	8.43	5⅝-5¼pm	8.15

Belgian rate is convertible francs. Financial franc 67.70-67.80. Six-month forward dollar 2.27-2.22cpm 12 months 3.85-3.75cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6700-1.7000	1.6990-1.7000	0.48-0.45cpm	3.28	1.34-1.29pm	3.10
Ireland†	1.4215-1.4370	1.4340-1.4350	0.14-0.19cdis	-1.39	0.40-0.50dis	-1.26
Canada	1.2310-1.2365	1.2345-1.2355	0.14-0.17cdis	-1.51	0.44-0.47dis	-1.48
Netherlands	2.0940-2.1270	2.1045-2.1055	0.52-0.50cpm	2.88	1.58-1.54pm	2.94
Belgium	39.00-39.45	39.10-39.20	5.00-3.00cpm	1.22	13.00-9.00pm	1.12
Denmark	7.14¾-7.22	7.16½-7.17	0.35-0.05orepm	0.33	0.85-0.60pm	0.40
W. Germany	1.8560-1.8840	1.8625-1.8635	0.53-0.50pfpm	3.28	1.56-1.51pm	3.26
Portugal	152¾-153¾	152¾-153	45-65cdis	-4.30	145-195dis	-4.43
Spain	122.75-124.30	123.10-123.20	18-28cdis	-2.22	60-70dis	-2.10

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	0.929	1.580	2.941	210.5	10.	2.4				
S Fr.	0.375	0.637	1.185	84.83	4.030	1				
H Fl.	0.279	0.475	0.885	63.30	3.007	0.7				
Lira	0.425	0.723	1.346	96.30	4.575	1.1				
C $	0.478	0.812	1.511	108.2	5.138	1.2				
B Fr.	1.503	2.554	4.756	340.3	16.17	4.0				

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

A dangerous assumption

LONG GILT futures rose on Liffe in active trading, following the Bank of England's move to control inflation with an engineered rise of 1 p.c. in bank base rates.

Short sterling futures were also active, finishing weaker, but above the day's lows.

Dealers noted a downward slope in the Bank of England's newmoney market intervention rates, which could be taken as a sign that rates have now risen far enough.

This may be a dangerous assumption however, because the move was probably for technical reasons to reduce the widening yield differential between different bands of bills. It does not necessarily mean rates have gone far enough.

The record July UK visible trade deficit of £2.65bn, and the current account shortfall of £2.15bn, were well above even the most pessimistic forecasts.

But dealers said that even without the trade news the authorities would probably have been forced into a rise of ½ p.c. in base rates, to follow the Bundesbank.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
88	638	737	2	7
90	444	549	8	19
92	258	408	22	42
94	129	245	57	113
96	38	139	202	209
98	12	57	340	327
100	6	28	534	462

Estimated volume total, Calls 1081 Puts 2101
Previous day's open int. Calls 6826 Puts 10827

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
78	613	618	21	56
80	437	454	45	128
82	242	339	50	213
84	161	238	205	312
86	105	151	313	425
88	36	113	444	551
90	18	50	626	724

Estimated volume total, Calls 13 Puts 518
Previous day's open int. Calls 1432 Puts 1016

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
16500	1320	—	10	—
17000	860	1089	50	99
17500	477	716	167	226
18000	216	428	406	438
18500	77	231	767	741
19000	21	111	1211	1121
19500	4	48	1694	1558

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3 Puts 97

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

NEDLLOYD P	Fl. 220	67	9	6	14	4	20	Fl. 220
NAT.NED. C	Fl. 60	325	2.50	36	4.50 A	-	-	Fl. 61.60
NAT.NED. P	Fl. 60	122	2.50	125	3.50	-	-	Fl. 61.60
PHILIPS C	Fl. 35	136	0.60	131	1.50	36	2.20	Fl. 31.70
PHILIPS P	Fl. 30	146	0.80	272	1.90	32	2.80	Fl. 31.70
ROYAL DUTCH C	Fl. 240	460	2.30	164	5.50	9	8	Fl. 227.20
ROYAL DUTCH P	Fl. 220	441	3.90	103	7	15	8	Fl. 227.20
UNILEVER C	Fl. 120	615	1.30	220	3.80	7	6	Fl. 109
UNILEVER P	Fl. 100	391	1.20	210	3.30	13	4.10 B	Fl. 109
WESSANEN C	Fl. 80	59	1.40	-	-	-	-	Fl. 74

TOTAL VOLUME IN CONTRACTS : 40,243

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	11	Clydesdale Bank	12	Northern Bank Ltd	11
AAB - Allied Arab Bk	11	Comm.Bk.N.East	12	Norwich Gen. Trust	12
Allied Irish Bank	11	Co-operative Bank	*12	PRIVATbanken Limited	12
Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	12
ANZ Banking Group	11	Cyprus Popular Bk	11	R Raphael & Sons	11
Associates Cap Corp	10	Dunbar Bank PLC	12	Roxburghe G'rantee	11½
Authority Bank	11	Duncan Lawrie	12	Royal Bk of Scotland	12
B & C Merchant Bank	11	Equatorial Bank plc	11	Royal Trust Bank	11
Banco de Bilbao	11	Exeter Trust Ltd	12½	● Smith & Willmsn Secs.	11
Bank Hapoalim	12	Financial & Gen. Sec	11	Standard Chartered	12
Bank Leumi (UK)	11	First National Bank Plc	11½	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	11	UDT Mortgage Exp	‡11.45
Bank of Cyprus	11	Robert Fraser & Ptnrs.	11½	United Bk of Kuwait	11
Bank of Ireland	11	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	11
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§11	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	11		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	11	Midland Bank	12		
● Charterhouse Bank	12	Mount Bnkg Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

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MONEY MARKETS

An upward twist

CENTRAL BANKS in Europe gave interest rates another upward twist yesterday.

A record UK trade deficit, about double most City estimates, heralded a rise of 1 p.c. to 12 p.c. in UK bank base rates.

As British banks were increasing rates, the Bundesbank council, meeting in Frankfurt, decided to raise the West German discount rate ½ p.c. to 3½ p.c. The Lombard rate was left at 5 p.c.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

Mr Karl Otto Poehl, Bundesbank President, cast doubt on whether the move will be followed by another rise in the securities repurchase rate.

Earlier in the morning, the Bank of France raised its money market intervention rate by ¼ p.c. to 7 p.c., while the rate on five to 10-day repurchase pacts was increased ¼ p.c. to 7¼ p.c.

The Swiss National Bank said it was responding to a tendency toward overheating in the economy, when it raised its discount rate by ½ p.c. to 3 p.c., and its Lombard rate by ½ p.c. to 5 p.c.

The Austrian National Bank increased its discount rate by ½ p.c. to 4 p.c. The Lombard rate remains at 5 p.c.

The Dutch Central Bank raised key interest rates by ½ p.c. The discount rate is now 4 p.c.; the secured loans rate 4.75 p.c.; and the promissory note rate 5.25 p.c.

The Bank of Italy lifted its discount rate ½ p.c. to 12½ p.c.

Interest rates in London settled slightly below the new base rate level. With three-month interbank rising to 11⅞-11⅞ p.c. from 11¾-11⅝ p.c.

The Bank of England engineered a rise in base rates by offering to lend funds to the discount houses at 12 p.c as part of its money market operation.

A market credit shortage of £550m was initially forecast, revised to £500m at noon, and to £400m in the afternoon. Total help of £261m was provided.

Before lunch the authorities bought £61m bank bills, involving £60m in band 1 at 11⅞ p.c., and £1m in band 3 at 11¾ p.c.

In the afternoon another £180m bank bills were purchased, by way of £170m in band 1 at 11⅞ p.c.; £5m in band 2 at 11⅞ p.c.; and £5m in band 4 at 11⅞ p.c. Another £20m was lent to the market.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £117m, with Exchequer transactions absorbing £215m; a rise in the note circulation £120m; and bank balances below target £115m.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FT UNIT TRUST INFORMATION SERVICE

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FT 30	FTSE 100	WALL STREET
Aug. 1429/1438 -40	Aug. 1777/1787 -45	Sep. 1995/2007 -25
Sep. 1428/1437 -40	Sep. 1775/1785 -45	Dec. 2013/2025 -27

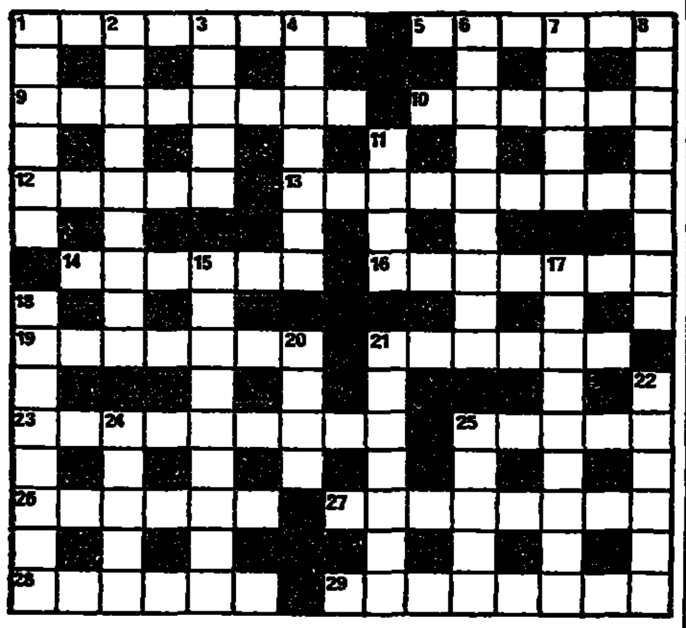
Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,718 Set by GRIFFIN

One letter should be omitted from the answer to each across clue to find a word which fits the grid. Down clues are normal.



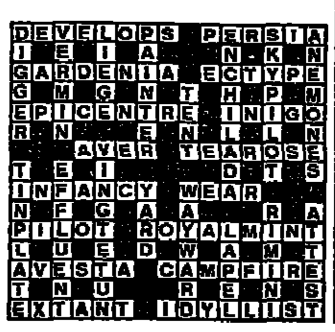
ACROSS

1 Here I'd put in Reagan, perhaps (9)
5 Tries hard to get coach on board (7)
9 Prone to confuse sport with speed (9)
10 Refuse to dress on time (7)
12 Screened side turning 12 inches inside (6)
13 Clever chap to back man with mental aberration (10)
14 Scrub hard in church area (7)
16 Regard the rest after removing the Times article (8)
19 Take action about Jack etc., turning blue (8)
21 Creep is becoming punctilious (7)
23 Prisoner eating stewed tail end was born with one (10)
25 Strikers stand here to face delivery men (6)
26 Riles my cook, being extremely mean (7)
27 Suddenly frightening a bird, the model entered (9)
28 Impudently taking underwear left during a fling (7)
29 Every one to jump about without loitering (9)

DOWN

1 Others pop in for a meal (6)
2 Have worst rock band on radio (5,4)
3 Two ex-coppers outside scoffed, being old-fashioned (5)
4 Illegitimate artist left after upsetting aunt (7)
6 In back street and overdue, managed to explain (9)
7 Where one owned up to love (5)
8 Chant about soccer players making good progress (8)
11 Excellent if rising by half nine (4)
15 The cardinal dressed, but not in church (9)
17 I'm adding to it in a revised copy (9)
18 Recent arrival in one crew replaced first mate (8)
20 Italian leader in blue mounted platform .... (4)
21 .... in connection with the speaker's roof (7)
22 The wild game he's left here is poor (6)
24 They smell good! (5)
25 Fabulous bird standing up soldier may be a bitch! (5)

Solution to Puzzle No.6,717



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	326.4	331.2	350.5	+0.2	2.98
Equity Acc	5	419.0	425.1	449.8	+0.2	2.98
Fixed Int Dist	5	116.0	118.1	122.4	+0.1	9.13
Fixed Int Acc	5	205.7	209.3	216.9	+0.2	9.13
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	97.51	97.52	103.65	+1.38	1.92
Do Accum	5	104.65	104.65	111.22	+1.38	1.92
TSB Gilt Growth	5	54.60	54.60	58.09	+0.20	3.01
Do Accum	5	56.37	56.37	59.97	+0.20	3.01
TSB European	5	48.63	48.63	51.73	-0.28	1.19
Do Accum	5	49.96	49.96	53.15	-0.30	1.19
TSB Extra Income	5	146.10	146.10	155.43	+0.50	5.80
Do Accum	5	188.58	188.58	200.62	+0.64	5.80
TSB Smaller Cos	5	55.16	56.71	60.33	+0.03	1.14
Do Accum	5	55.72	57.29	60.95	+0.04	1.14
TSB General	5	175.04	175.04	186.05	+0.57	3.36
Do Accum	5	304.03	304.03	323.44	+1.00	3.36
TSB Gilt & Fxd Int	3¼	47.16	47.16	48.77	+0.05	9.03
Do Accum	3¼	71.20	71.20	73.63	+0.07	9.03
TSB Income	5	261.79	261.79	278.50	+0.85	4.72
Do Accum	5	437.57	437.57	465.50	+1.41	4.72
TSB Pacific	5	208.29	209.35	222.71	+0.30	0.32
Do Accum	5	216.56	217.66	231.55	+0.31	0.32
TSB International	5	321.29	321.29	342.70	+1.35	0.96
Do Accum	5	404.14	404.14	431.08	+1.70	0.96
TSB Nat Resources	5	63.05	63.05	67.07	+0.00	1.36
Do Accum	5	66.27	66.27	70.50	+0.00	1.36
TSB Sictd Opps	5	81.48	81.48	86.68	-0.28	2.30
Do Accum	5	91.84	91.84	97.70	-0.32	2.30
3i Unit Trust Managers Ltd (1000)F						
31 Homer Rd, Solihull, B91 3QA 021-928 3356						
Small Co's	5	50.67	50.67	55.48	.....	—
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin: 0296 394000 Dealing: 01-379 0860						
American Eagle	5	61.08	61.08	65.28	-0.10	0.91
Australia	5	8.248	8.250	8.830	-0.00	0.10
Commodity	5	78.41	78.41	84.77	-0.91	0.58
Convertible	5	143.2	143.2xd	154.7	-4.6	4.94
Equity	5	147.7	147.7	159.0	-2.3	3.29
Euro Spec Sits	5	76.90	76.90	82.71	-0.27	1.65
Financial	5	30.60	30.60	33.04	-0.56	2.06

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Pens (Acc)	54.7	58.3	-0.1	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Aug 24	39.0	40.5	.....	2.27
Euro Expt Aug 24	38.8	40.7	.....	2.3
Fixed Int Ex Aug 24	48.5	50.9	.....	9.43
Japan Expt Aug 24	53.5	55.7	.....	0.55
Managed Ex Aug 25	38.6	40.1	.....	4.51
SE Asia Expt Aug 24	38.2	40.1	.....	2.22
Sm Cos Expt Aug 24	45.1	47.3	.....	2.54
UK Eqty Ex Aug 24	36.6	37.8	.....	3.83
New Court Property Fund Managers				
NC Property	189.5	199.5	.....	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd(2)(8)	812.0	862.0	.....	3.50
Do Accum	838.0	890.0	.....	3.50
PDFM Int Expt Aug 25	124.4	126.4	+1.2	2.72
J. Rothschild Fund Managers Ltd				
NU Exempt	93.19	94.40	—	3.00

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly 5y Aug 12	—	140.9	.....	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	251.2	264.5	—	—
Equity Ser. 1	112.8	118.8	-1.9	—
Prop. Acc. Ser 2	363.8	383.0	.....	—
Equity Ser 2	128.1	134.9	-2.1	—
Selective Acc	285.2	300.3	-2.2	—
Prop. Ser. 4	284.9	299.9	.....	—
Equity Ser. 4	131.2	138.2	-1.6	—
Fixed Int. Ser. 4	211.3	222.5	-0.4	—
Indexed Inv. Ser. 4	121.2	127.7	-0.2	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	83	Redemption 3pc 1986–96	99xd	−	3.03	11.43
100¼	99	Treas. 9½pc '88	99	.....	9.54	11.57
102	99	Treas 11½pc 1989	99	−	11.50	11.46
101	98	Treas 9½pc Cnv 1989	98	−	9.60	11.16
97½	95	Treas 3pc 1989	96	−	3.12	8.67
102	99	Treas 10½pc 1989	99	−	10.56	11.17
102	98	Exch. 10pc 1989	98	−	10.10	11.18
103	99	Exch 11pc 1989	99xd	−	11.01	11.10
97	94¾	Treas 5pc 1986–89	94	.....	5.27	9.77
104	99½	Exch 10¼pcCv '89	99½	−	10.30	10.63
107½	103	Treas 13pc 1990‡‡	103	−	12.61	10.51
104	100½	Exch 11pc 1990‡‡	100½	−	10.94	10.56
107	102	Exch. 12¼pc 1990	102xd	−	12.18	10.67
93	90	Treas. 3pc 1990	90	−	3.30	8.86
99¾	96	Treas 8¼pc 1987–90‡‡	96	−	8.57	10.53
102½	97	Treas. 8pc Cv 1990‡‡	97	−	8.25	9.80
103	98	Treas. 10pcCv 1990	98	−	10.11	10.57
91	88	Exch 2½pc 1990	88	.....	2.84	8.38
107	102	Treas 11¾pc 1991	102	−	11.47	10.54
95	90	Funding 5¾pc '87–91‡‡	90	−	6.33	9.82
90	86	Treas. 3pc 1991	86	−	3.45	8.49
105	99	Treas 10pc Cv '91‡‡	99	−	10.05	10.21
107	101	Exch. 11pc 1991	101	−	10.85	10.45
98	93	Treas. 8pc 1991	93	−	8.57	10.43
113	106	Treas 12¾pc 1992‡‡	106	−	11.96	10.38
104	99	Treas 10pc 1992	99	−¼	10.09	10.30
98	92	Treas. 8pc 1992‡‡	93	−¼	8.60	10.32
106	100	Treas 10½pc Cv 1992‡‡	100	−	10.46	10.34
86	83	Treas. 3pc 1992	83	−	3.61	8.27
112	105	Exch. 12¼pc '92	105xd	−	11.58	10.44
117	109	Exch 13½pc 1992	109xd	−	12.29	10.48
97	92	Treas 8¼pc 1993	92	−	8.90	10.32
105	98¾	Treas 10pc 1993‡‡	98¾	−	10.12	10.31
115	108	Treas 12½pc 1993‡‡	108	−	11.55	10.31

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93	88	Funding 6pc 1993‡‡	88xd	−	6.75	8.75
121	113	Treas 13¾pc 1993‡‡	113	−	12.15	10.40
101	92	Treas. 8½pc 1994	92	−	9.20	10.34
44	42	Tr 8½pc 1994 'A' (50% pd)	42	−	9.19	10.36
125	117	Treas 14½pc 1994‡‡	117xd	−	12.37	10.32
120	112	Exch 13½pc 1994	112	−	11.97	10.45
105	98	Treas. 10pc Ln. 1994‡‡	98	−	10.10	10.21
116	109	Exch. 12½pc 1994	109	−	11.46	10.41
101	94	Treas 9pc 1994‡‡	94	−	9.48	10.10
114	107	Treas 12pc 1995	107	−	11.18	10.38
83½	78½	Exch 3pc Gas 90–95	81	−	3.67	6.40
106	100	Exch. 10¼pc 1995	100	−	10.25	10.25
120	112	Treas 12¾pc 1995‡‡	112	−	11.33	10.23
126	118	Treas. 14pc '96	118	−	11.84	10.38
101	94	Treas. 9pc 1992–96‡‡	95xd	−	9.49	9.98
133	125	Treas 15¼pc 1996‡‡	125½	−	12.16	10.35
123	115	Exch 13¼pc 1996‡‡	115	−	11.46	10.26
105	98	Conversion 10pc 1996	99	−	10.10	10.17
124	116	Treas 13¼pc 1997‡‡	116	−	11.36	10.24
108	101½	Exch 10½pc 1997	101	−	10.32	10.17
98	92	Treas 8¾pc 1997‡‡	92xd	−	9.44	9.99
134	126	Exch 15pc 1997	126	−	11.84	10.40
104	97	Exch. 9¾pc 1998	97	−	9.97	10.10
87	81	Treas 6¾pc 1995–98‡‡	82	−	8.18	9.54
140	132	Treas. 15½pc '98‡‡	132xd	−	11.73	10.30
118	111	Exch. 12pc 1998	111	−	10.80	10.20
103	96	Treas 9½pc 1999‡‡	97	−	9.75	9.88
120	113	Exch. 12¼pc 1999	113xd	−	10.83	10.19
109	102	Treas. 10½pc 1999	102	−	10.23	10.08
107	100	Conversion 10¼pc 1999	101	−	10.14	10.07
100	86	Treas. 8½pc Ln 2000‡‡	91	−	9.35	9.83
99	93	Conversion 9pc 2000‡‡	94xd	−	9.55	9.84
126	119	Treas. 13pc 2000	119	−	10.92	10.19
106	99	Treas 10pc 2001	100xd	−	9.95	9.92
129	121	Treas. 14pc '98–01	122	−	11.48	10.36
104	98	Conversion 9¾pc 2001	99	−	9.84	9.87
118	111	Exch. 12pc '99–02	111	−	10.80	10.22
107	100	Conversion 10pc 2002	101	−	9.89	9.84
105	98	Treas 9¾pc 2002	99xd	−	9.80	9.82
99	93	Exch. 9pc 2002	94	−	9.55	9.75
131	123	Treas. 13¾pc 2000–03	123	−	11.10	10.23

Over Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108	100	Treas 10pc 2003	101xd	−	9.81	9.75
117	109	Treas. 11½pc 2001–04	110xd	−	10.41	10.01
108	100	Treas. 10pc 2004	102	−	9.75	9.68
59	54	Funding 3½pc '99–04	58	−	6.02	8.28
104	97	Conversion 9½pc 2004	99	−	9.59	9.60
104	97	Conversion 9½pc 2005	99	−	9.56	9.57
113	105	Exch. 10½pc 2005	107xd	−	9.75	9.57
128	119	Treas. 12½pc 2003–05	120	−	10.35	9.82
92	85	Treas. 8pc 2002–06‡‡	87	−	9.14	9.45
106	99	Conversion 9¾pc 2006	101	−	9.57	9.52
121	113	Treas. 11¾pc 2003–07	114	−	10.25	9.82
97	89	Treas 8½pc 2007‡‡	92	−	9.20	9.36
137	128	Treas. 13½pc '04–08	129xd	−	10.42	9.77
101	94	Treas. 9pc 2008‡‡	96	−	9.28	9.33
92	85	Treas 8pc 2009	88xd	−	9.08	9.29
101	93¾	Conv 9pc Ln 2011‡‡	97	−	9.22	9.25
68	62	Treas. 5½pc 2008–12‡‡	65xd	−	8.39	9.04
89	82	Treas. 7¾pc 2012–15‡‡	85	−	9.04	9.20
130	121	Exch. 12pc '13–'17	126	−	9.51	9.29

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	43	−	9.26	−
39	37	War Loan 3½pc‡‡	38	−	9.11	−
53	48	Conv. 3½pc '61 Aft	53xd	.....	6.60	−
33	30	Treas. 3pc '66 Aft	33½	+	9.34	−
28	26	Consols 2½pc	27	−	9.20	−
28	26½	Treas. 2½pc	27xd	−	9.20	−

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
121	117½	Treas 2pc IL '90(84.6)	120	−	1.17	3.12
103	99	Do. 2pc '92‡‡(97.8)	101xd	−	2.48	3.26
96	93	Do. 2 '94 (102.9)	93	−	2.90	3.39
139¼	127½	Do. 2pc '96(67.9)	137xd	−	3.05	3.41
114	103	Do 2½pc '01(78.3)	113xd	−¼	3.67	3.92
111	101	Do. 2½pc '03(78.8)	110	−	3.71	3.94
114	102½	Do. 2pc '06(69.5)	112	−	3.75	3.93
105	95	Do. 2½pc '09(78.8)	105	−	3.77	3.94
109	99	Do. 2½pc '11(74.6)	109	−	3.77	3.93
91	82	Do. 2½pc '13(89.2)	90	−	3.74	3.89
98¼	88	Do. 2½pc '16(81.6)	97	−	3.71	3.86
96	87	Do. 2½pc '20(83.0)	95	−	3.67	3.80
81	73	Do. 2½pc '24‡‡(97.7)	79	−	3.64	3.76

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	103	−	10.72	10.66
104	96	Asian Dev Bk 10¼pcLn2009	99	−	10.28	10.29
129	120	Australia 13½pc 2010	125	−	10.80	10.54
112	103	Do. 11¾pcLn2015	108	−	10.52	10.46
110	103	Euro Inv Bk 11pc Ln 2002	105	−	10.46	10.29
105	98	Do. 10¼pc2004	100	−	10.32	10.29
120	112	Int-Am Dev Bk 12½pc 2003	115½	−	10.82	10.38
98	91	Do. 9¾pcLn 2015	94	−	10.29	10.32
96½	86	Mlysia 10¾pcLn 2009	95½xd	−¼	11.26	11.31
111	87	Utd. Mexican States 16½pc 2008	110xd	−	15.00	14.91

CORPORATION LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
111	103½	Birmingham 13½pc 1989	103½xd	.....	13.04	9.48
115½	101	Do. 11½pc 2012	103½xd	.....	11.11	11.10
94¼	87	GLC 6¾pc 1990–92	88½xd	.....	7.63	10.80
130	119½	Leeds 13½pc 2006	120½	.....	11.20	10.97
34	26¼	Liverpool 3½pc Irred	33xd	.....	10.61	−
97	91	LCC 6¾pc '88–90	93½xd	.....	7.22	10.40
31	25	Do. 3pc '20 Aft	30xd	.....	10.00	−
112	100	Manchester 11½pc 2007	109½xd	.....	10.50	10.40

COMMONWEALTH & AFRICAN LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93	88	NZ 7¼pc 1988–92	88¼	−	8.22	11.00
207	197	S Rhod 2½pc Non-Asstd	206	.....	−	−
80	71½	Do. 4½pc 87–92 Asstd.	80	.....	5.63	−
130	42	Zimbabwe Ann (£100pa)	47xd	.....	−	−

LOANS

Building Societies

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	99	N'wide 10pc 12.9.88	99	.....	10.82	11.36
100	99	Do. 10pc 26.9.88	99xd	.....	10.64	11.46
100	99	Do. 10pc 31.10.88	99	.....	10.23	11.73
100¼	99	Do. 9¼pc 28.11.88	99¼xd	.....	9.32	11.72
100	99	Do. 9¾pc 28.12.88	99	.....	9.82	11.65
100	99	Do. 9pc 23.1.89	99xd	.....	9.83	11.63
100	99	Do. 9pc 20.2.89	99	.....	10.02	11.62
100	98	Do. 9pc 13.3.89	98	−	9.79	11.87
100	98	Do. 9pc 17.4.89	98	−	9.34	11.90
100	98	Do. 9½pc 8.5.89	98	−	9.65	11.78
100	97	Do. 8pc 30.5.89	97	−	9.13	11.84
100	93½	Do. 9pc 26.6.89	98	−	9.97	11.83
100	98	Do. 10pc 17.7.89	98	−	10.80	11.91
100	87	Do. 3¾pcIL Ln 2021	93¼	.....	4.54	4.70

Public Board and Ind.

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96	90	Agric. Mt. 5pc '59–89	95xd	.....	5.26	8.51
48½	40	Met. Wtr. 3pc 'B'	47xd	.....	6.38	9.83

Financial

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105	100¼	3i 11¼pc Un Ln '90	100¼	−	11.72	11.45
95½	87	Do 7¼pcADb89–92	87xd	−	8.27	10.87
110	103	Do. 12½pc Un. Ln. 1992	103	−¼	12.06	11.23
93½	84¼	Do. 7¼pc A 1991–94	84¼	−¼	8.61	10.85
101¼	91	Do. 9pc A 1991–94	93	−	9.64	10.49
100	89¾	Do. 8¾pc Ln 1992–97	89¾xd	−¼	9.89	10.75

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45xd	.....	3	16.67
45	33	Do 4pc Mixed Ass.	45xd	.....	2	14.44
75	63	Hung. '24 Ass.	75	.....	2.75	13.67
140	128	Hydro Quebec 15pc 2011	134¼	−	15.00	10.85
128¼	118	Iceland 14½pc Ln 2016	126	−	14.50	11.29
101¼	95½	Ireland 9¾pc '91–96	95½xd	−¼	9.75	10.60

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29½	22¼	Abbott Laboratories§	27xd	+¼	$1.20	−	2.6
649p	405p	♦Allegheny & W 1c	438p	+8	30c	−	4.0
14	862p	Amax $1	12¾	+	Q20c	−	0.9
31	16¼	Amdahl 5c	26¼	+¼	20c	−	0.4
31¾	22	Amer. Cyanamid $5	27¼	+¼	$1.20	−	2.6
17½	11¾	Amer. Express 60c	17xd	−	76c	−	2.6
10½	668p	Amer. Medical Int. $1	969p	+1	♦72c	−	4.4
17	13¾	American T. & T. $1	14	+	$1.20	−	4.8
54¼	44¾	Ameritech $1	53	+	$5.40	−	6.0
27¼	16½	Amfac‡	27	.....		−	−
18¾	15¾	Anheuser-Busch $1	17	.....	60c	−	2.0
875p	360p	BankAmerica $1	837p	.....	−	−	−
22¾	16	Bankers N Y. $1	22¼	+	$1.86	−	4.9
42¾	34¼	Bell Atlantic $1	41¼	+	$4.08	−	5.8
25¼	19¾	BellSouth Corp.	23¾	+	$2.36	−	5.9
15	850p	♦Bethlehem Steel $8	12½	+	−	−	−
13¼	801p	Bio-Rad Labs. Inc. "A"	11¾	.....	−	−	−
23½	15¼	Bowater Inc.	17½xd	+	92c	−	3.2
15¾	11¼	Browning-Ferris 16.6c	14xd	+¼	48c	−	2.0
13½	787p	Brunswick 75c	11¾	+	44c	−	2.2
28¾	21½	CPC Intnl. 25c	28¼	−	$1.44	−	3.0
17¾	13¼	CSX $1	14¾	.....	$1.24	−	4.9
16¼	11½	CalFed Inc $1	13¼xd	.....	$1.40	−	6.2
16¾	12¾	Campbell Soup 15c	16½xd	+	84c	−	3.1
39½	31¾	Caterpillar Inc $1	33½	+	75c	−	1.3
17¾	11¼	Chase Manhattan $12½	16xd	+	$2.16	−	7.6
19¼	11¼	Chem. Banking Corpn.	19	+	$2.72	−	8.4
15	11	Chrysler $6¼	13xd	+	$1.00	−	4.5
14	9	Citicorp $1	13xd	+	$1.48	−	6.3
297p	168p	CityFed Fin. Corp.	184p	−1½	4c	−	1.3
27	20¾	Colgate-Palmolive $1	24¾xd	+	$1.48	−	3.5
19¼	13½	Cons Freightwys 62½c	18¼	.....	98c	−	3.2
340p	134p	Conti Illinois Corp $1	340p	+5	8c	−	1.4
14p	7p	Cont Illinois Hldgs $1	7¼p	.....		−	−
406p	117p	♦Corporate Data Scnce	390p	+21		−	−
510p	300p	Cullinet Sftwr 1c	356p	+14		−	−
22¾	17¾	Dana Corp. $1	20¼	−	$1.52	−	4.3
15¼	10¼	Data General	18¼	.....		−	−
140p	44p	♦Derma-Lock Med.	95p	.....		−	−
31½	24½	Dun & Bradstreet $1	28xd	.....	$1.74	−	3.6
49¾	39¼	Eaton Corpn. 50c	43xd	−	$2.00	−	2.7
18¼	14¾	FPL Group 1c	17¾	.....	$2.20	−	7.3
21	10¼	First Chicago $5	19¼	+	$1.50	−	4.6
31	20	Ford Motor $2	28xd	+	$2.40	−	4.9
28¾	20	GATX 62½c	27½xd	−¼	$1.80	−	3.9
26	20¼	Gen. Elect. 63c	23½	+	$1.40	−	3.5
700p	425p	♦General Host Corp $1	617p	.....	28c	−	2.7
25	15¼	Gillette $1	20	−	84c	−	2.5
803p	474p	Gt Am First Svgs Bk $1	681p	+14	60c	−	5.9
19½	13¾	Greyhound $1½	18¼xd	.....	$1.32	−	4.2
976p	654p	Hasbro Inc 50c	861p	+21	12c	−	0.8
812p	600p	Home Group $1	687pxd	−13	20c	−	−
42	28	Honeywell $1½	35xd	+½	$2.10	−	3.4
22¼	15¼	Hospital Corp Am $1	19¾	+¼	72c	−	2.1
19¼	15¾	Houston Inds.‡	17¼	.....	$2.96	−	9.8
75¾	55¼	IBM Corpn $1¼	66xd	+	$4.40	−	3.9
20	16¾	IC Industries	19xd	−	96c	−	2.8
31	23¾	ITT Corpn. $1	27	.....	$1.25	−	2.7
105p	40p	Image Storage/R.Sys.1c y	78p	.....		−	−
26½	17¾	Ingersoll-Rand $2	22¼xd	+	$1.04	−	2.7
17¾	815p	Inslico $1	17¾	.....	$1.00	−	3.3
26¼	18½	Lockheed Crpn. $1	23½xd	.....	$1.60	−	4.0
19¾	11½	Lone Star Inds $1	17xd	−¼	$1.90	−	6.2
19¾	15¼	Louisiana Land 15c	18¾xd	+¼	$1.00	−	3.1
13¼	860p	Lowe's 50c	11¾	+¼	44c	−	2.2
18	10¼	Manuf. Hanover $7½	17	+¼	$3.28	−	11.3
16¼	11	Merrill Lynch $1	15	−	$1.00	−	3.9
24½	19½	Molex Inc. y	21	.....	32c	−	0.9
23¼	16½	Morgan (JP) $2½	21xd	+	$1.50	−	4.2
40¼	32¾	NYNEX $1	37¾	+	$4.04	−	6.3
20	15	PHH Corp. ‡	19¼	+	$1.12	−	3.4
308p	99p	♦Pacific Agr.‡	254p	.....		−	−
10¼	757p	Pac Gas & Elect $5	999pxd	+23	$1.92	−	11.3
21¾	16¾	Pacificorp $3¼	20¾	+¼	$2.64	−	7.5
17¾	13¾	Pacific Telesis 10c	16¾	.....	$1.76	−	6.2
17½	13¼	Pall Corp. 25c	15½xd	+	40c	−	1.5
44¾	34½	Pennzoil 83 1/3c	42	−¼	$2.20	−	3.0
21¼	11¾	Premark Intl	19	−	60c	−	1.8
17¾	12½	Primerica $1	16½xd	+	$1.60	−	5.7
32¾	21¾	Quaker Oats $5	31½xd	+¼	$1.00	−	1.9
30¾	23¾	RJR Nabisco Inc.	38¼	+	$1.92	−	3.7
26¼	21	Rep NY Corpn $5	26xd	+	$1.20	−	2.7
13	9	Rockwell Intl. $1	11¾	.....	72c	−	3.6
24¼	18¾	Sara Lee $11/3	23	+	$1.20	−	2.9
23¾	18	Southwestern Bell $1	21¾	+	$2.48	−	6.7
35	27	Sun Co. Inc. $1	33¼xd	+	$3.00	−	5.2
29	22	TRW Inc. 62½c	24¾xd	+	$1.60	−	3.8
11¼	754p	TW Services $5	10¾	+	20c	−	1.1
28¼	21¼	Tenneco $5	27	+	$3.04	−	6.5

Continued on next page

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund Aug 24 | $39.20 | 42.05

North Star Fund Managers (Cayman) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey
SKG Capital Fund | 456.7 | 479.6 | — | —
SKG Income Fund | 84.4 | 88.8 | — | 5.63
GIH Bond | 184.2 | 193.9 | — | —

Seoul International Trust
Fund Man: Korea Invest Trust Co Ltd
NAV Won 21,987.79 IDR value US$30,323.80

Sinnns International Fund-SICAV
NAV Aug 25 | $8.77 | +0.03

Singer & Friedlander Ldn. Agents
Tokyo Tst NAV Aug 2 | $18.75 | — | 1.7
Smaller Cos Tst Aug 31 | 140.0 | 148.0 | — | 3.5

Skandifond

Tyndall International (Jersey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
America	195.5	206.7	+2.7	0.61
Far Eastern	488.4	519.1	−0.5	0.27
European	206.6	219.0	+1.0	0.49
Intl Inc Fund	225.9	240.1	−	3.37
(Non-J. Acc Units)	665.4	707.0	−0.1	−
Gilt Fd.	129.1	130.0	−0.3	9.23
(Accum Shares)	469.3	495.6	−1.0	−
Managed Currency Stg	104.6	110.0	+0.10	−
Managed Currency Dllr.	1.365	1.435	−	−
Portfolio Sel-Managed	162.8	172.4	(z)	−
Portfolio Sel-American	97.9	103.6	(z)	−
Portfolio Sel-Far East	201.8	214.8	(z)	−
Portfolio Sel-European	195.1	207.0	(z)	−

USA Income Portfolio

Money Market Trust Funds

Money Market Bank Accounts

Aitken Home
30 City Road, EC1Y 2AY. 01-638 6070
Treasury Acc. | 9.25 | 7.10 | 9.72 | Qtr
Mth Int Chq £1000-£5000 | 9.00 | 6.91 | 9.51 | Mth
Mth Int Chq £5,000+ | 9.25 | 7.10 | 9.72 | Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN 01-329 4500
2,000–9,999 | 10.423 | 8.000 | 10.991 | Qtr
£10,000+ | 10.749 | 8.250 | 11.345 | Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01 601 6746
Money Mkt Cheque Acc | 9.75 | 7.48 | 10.33 | Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891
High Int. Cheque | 9.00 | 6.875 | 9.40 | Qtr

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅝	19⅛	Texaco $6.25	26⅛	–⅛	$3.00	–	6.5
60¼	43¾	Time Inc. $1	56¼xd	+¼	$1.00	–	1.0
20⅛	15⅞	Transamerica $1	19⅛xd	+⅛	$1.84	–	5.4
20⅛	14½	TRINOVA Corp.	15⅞xd	+½	64c	–	2.4
19	15⅛	USX $1	16⅛	+⅛	$1.20	–	4.3
23	17⅝	Utd. Technologies	20⅞xd	.....	$1.60	–	4.5
33½	26¼	US West	32⅛	.....	$3.52	–	6.4
21⅝	16⅞	Waste Management $1	21xd	+⅛	48c	–	1.3
16⅞	12⅞	Whirlpool $1	14⅛	–⅛	$1.10	–	4.5
32⅞	18¼	Woolworth $3½	29½	+¼	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	216½p	+5½	–	–	–
32p	11p	Abbot Energy Corp.	13½p	.....	–	–	–
14¼	990p	Amer. Barrick Res.	10⅝	+⅛	–	–	–
10p	3½p	American Lightwave	4½p	.....	–	–	–
47p	15¼p	Armeno	17½p	+½	–	–	–
76p	45p	Augmitto Expln.	57½p	+½	–	–	–
13⅞	10⅝	Bk. Montreal	13¼	.....	$2.00	–	7.4
697p	514p	Bk. Nova Scot.	654p	+6	76c	–	5.7
18⅛	15¼	BCE	17¼xd	–⅛	$2.44	–	6.7
716p	591p	Bow Valley	648p	.....	40c	–	3.0
13⅞	10½	Brascan	12⅛	+⅛	88c	–	3.5
328p	189p	Breakwater Res.	232p	.....	10c	–	2.1
11⅞	801p	Can. Imp Bank	11	.....	$1.16	–	5.1

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

Fin. 13% 97/02	£119

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit. Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday August 25 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Aug 24 Index No.	Tue Aug 23 Index No.	Mon Aug 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	782.56	-2.9	10.38	4.08	11.94	17.16	805.56	803.24	807.69	942.81
2	Building Materials (29)	995.53	-3.2	11.43	4.28	10.74	21.41	1028.17	1021.69	1026.09	1178.17
3	Contracting, Construction (37)	1572.39	-2.9	10.72	3.44	12.17	27.59	1618.88	1611.38	1610.84	1690.43
4	Electricals (12)	2107.80	-2.6	8.89	4.76	13.84	49.65	2163.10	2152.34	2166.30	2436.99
5	Electronics (31)	1688.57	-3.2	10.24	3.57	12.54	40.38	1744.56	1743.90	1760.77	1990.44
6	Mechanical Engineering (56)	412.82	-3.0	10.02	4.26	12.38	9.23	425.41	422.88	426.46	515.36
8	Metals and Metal Forming (7)	474.91	-2.8	9.93	4.00	12.45	7.95	488.37	486.41	491.90	553.59
9	Motors (14)	274.98	-2.4	12.26	4.79	9.40	6.62	281.69	281.57	283.31	383.83
10	Other Industrial Materials (23)	1282.98	-2.1	9.20	4.35	13.00	28.49	1311.06	1313.89	1314.20	1615.36
21	CONSUMER GROUP (186)	1062.06	-1.8	9.38	3.73	13.59	19.26	1081.85	1082.83	1092.46	1294.57
22	Brewers and Distillers (21)	1093.46	-2.1	10.69	3.73	11.80	20.84	1117.21	1116.64	1121.99	1159.12
25	Food Manufacturing (21)	950.31	-1.8	9.12	3.90	14.03	17.95	967.53	965.69	977.85	1082.41
26	Food Retailing (16)	1930.77	-1.3	8.96	3.45	14.72	38.49	1956.97	1949.37	1967.80	2381.60
27	Health and Household (12)	1787.49	-1.5	6.97	2.74	16.64	18.01	1815.43	1814.39	1829.32	2530.58
29	Leisure (30)	1334.20	-2.0	9.20	3.78	13.94	28.32	1362.09	1358.78	1369.27	1357.22
31	Packaging & Paper (17)	512.06	-2.5	9.60	3.98	13.36	9.98	525.11	526.38	530.84	685.45
32	Publishing & Printing (18)	3444.45	-2.0	8.29	4.44	15.15	73.53	3514.07	3531.90	3548.11	4496.40
34	Stores (34)	786.31	-1.8	10.55	4.21	12.46	15.08	800.39	806.96	816.26	1043.99
35	Textiles (17)	566.06	-2.6	12.22	4.81	9.61	12.65	581.10	584.01	591.56	805.31
40	OTHER GROUPS (93)	875.14	-1.7	11.38	4.50	10.74	19.92	890.72	887.52	893.07	1129.15
41	Agencies (19)	1067.93	-2.0	8.49	2.55	14.89	18.11	1089.17	1087.20	1092.57	1699.55
42	Chemicals (21)	1023.73	-1.9	12.48	4.96	9.62	35.79	1043.96	1040.17	1046.79	1460.99
43	Conglomerates (13)	1184.29	-2.4	10.77	4.56	10.71	22.91	1212.98	1212.54	1221.11	1449.82
45	Shipping and Transport (12)	1899.97	-2.1	11.35	4.73	11.67	34.38	1940.06	1937.37	1948.59	2242.39
47	Telephone Networks (2)	931.22	-1.4	11.93	4.78	10.88	20.38	944.90	942.82	950.22	1075.68
48	Miscellaneous (26)	1201.48	-1.1	11.40	4.30	10.03	24.64	1214.56	1200.80	1205.06	1645.95
49	INDUSTRIAL GROUP (488)	950.61	-2.1	10.16	4.04	12.25	19.41	970.86	969.56	976.60	1173.10
51	Oil & Gas (12)	1722.90	-2.8	10.97	6.27	11.71	64.62	1772.58	1780.13	1793.75	2227.72
59	500 SHARE INDEX (500)	1016.31	-2.2	10.27	4.34	12.17	23.20	1039.01	1038.41	1046.01	1262.63
61	FINANCIAL GROUP (122)	674.62	-2.7	-	5.17	-	18.46	693.33	691.58	697.31	802.38
62	Banks (8)	642.07	-2.6	22.30	6.80	6.01	25.83	659.36	657.37	666.23	813.23
65	Insurance (Life) (8)	1014.17	-2.7	-	4.95	-	24.97	1042.36	1037.69	1044.60	1059.85
66	Insurance (Composite) (7)	525.70	-2.7	-	5.88	-	15.67	540.16	538.82	541.62	588.79
67	Insurance (Brokers) (7)	956.94	-2.9	10.06	6.65	12.84	31.74	985.63	976.24	980.60	1245.84
68	Merchant Banks (11)	344.76	-2.5	-	4.16	-	7.08	353.47	354.18	356.51	497.89
69	Property (51)	1165.79	-2.9	5.44	2.78	23.52	15.18	1200.48	1197.60	1206.08	1228.34
70	Other Financial (30)	365.80	-2.5	10.71	5.33	11.74	9.54	375.20	375.48	377.36	550.73
71	Investment Trusts (78)	900.18	-1.8	-	3.12	-	13.49	916.44	900.73	905.25	1125.86
81	Mining Finance (2)	522.73	-2.2	9.16	3.60	12.34	8.12	534.62	529.16	533.15	625.17
91	Overseas Traders (8)	1148.78	-2.3	10.02	4.86	11.73	35.31	1176.23	1179.59	1184.53	1174.29
99	ALL-SHARE INDEX (710)	928.91	-2.3	-	4.43	-	21.56	950.34	948.85	955.85	1143.98

	Index No.	Day's Change	Day's High	Day's Low	Aug 24	Aug 23	Aug 22	Aug 19	Aug 18	Year ago
FT-SE 100 SHARE INDEX ‡	1780.2	-39.0	1820.6	1767.8	1819.2	1817.9	1832.3	1844.3	1833.9	2245.8

FIXED INTEREST

	PRICE INDICES	Thu Aug 25	Day's change %	Wed Aug 24	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.06	-0.15	119.25	-	7.89
2	5-15 years	134.65	-0.26	135.00	0.00	9.34
3	Over 15 years	146.20	-0.25	146.57	-	8.78
4	Irredeemables	165.14	-0.21	166.66	1.18	8.49
5	All stocks	132.36	-0.23	132.67	0.01	8.82
	Index-Linked					
6	5 years	126.37	-0.25	126.68	-	1.81
7	Over 5 years	120.71	-0.13	120.87	-	2.43
8	All stocks	121.00	-0.14	121.17	-	2.37
9	Debentures & Loans	117.05	-0.08	117.15	-	7.11
10	Preference	91.41	-0.48	91.85	-	3.61

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 25	Wed Aug 24	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.93	9.85	9.71
2		15 years	9.55	9.51	9.99
3		25 years	9.22	9.19	9.82
4	Medium Coupons	5 years	10.30	10.24	10.55
5		15 years	9.79	9.75	10.25
6		25 years	9.49	9.46	10.00
7	High Coupons	5 years	10.47	10.39	10.63
8		15 years	9.91	9.89	10.42
9		25 years	9.46	9.46	10.03
10	Irredeemables†		9.83	9.77	9.94
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.23	3.12	3.23
12	Inflation rate 5%	Over 5 yrs.	3.85	3.84	4.01
13	Inflation rate 10%	5 yrs.	2.13	2.02	3.11
14	Inflation rate 10%	Over 5 yrs.	3.68	3.67	3.99
15	Debs & Loans	5 years	11.04	10.99	11.44
16		15 years	11.01	10.99	11.43
17		25 years	10.99	10.98	11.43
18	Preference†		9.89	9.85	10.82

‡Opening index 1820.6; 10 am 1815.0; 11 am 1815.8; Noon 1793.7; 1 pm 1783.2; 2 pm 1768.6; 3 pm 1776.9; 3.30 pm 1775.9; 4 pm 1783.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	106	3
Corporations, Dominion and Foreign Bonds	0	25	27
Industrials	135	1,062	399
Financial and Properties	41	395	219
Oils	12	59	37
Plantations	0	2	11
Mines	39	44	110
Others	78	75	120
Totals	309	1,768	926

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$145	F.P.	-	173	145	Christie Group 2p	168	-5	L3.5	3.1	2.8	15.4
£300	F.P.	12/8	323	306	‡City Gate Ests. £1	316	-5	L8.25	2.9	3.5	10.8
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

TRADITIONAL OPTIONS

- First Dealings Aug 22
- Last Dealings Sep 9
- Last Declarations Nov 24
- For settlement Dec 5

For rate indications see end of London Share Service.

Stocks favoured for the call included Amstrad, C. Baynes, Mowat, British Petroleum new, Sears, Geest, Thomson T-Line, Scottish and Newcastle, English China Clays, Dares Estates, Astra Holding, W.H. Smith A, BSR and Norfolk Capital. No put or double options were reported.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]							
Brit. Telecom (*233)	220	21	25	29	6	8	9
	240	7	13	18	13	16	18
Cadbury Schweppes (*365)	330	45	57	-	5	11	-
	360	24	38	45	16	23	30
	390	14	23	28	38	39	43
Guinness (*307)	300	20	30	35	10	16	20
	330	7	15	20	30	33	37

Option		Calls				Puts			
FT-SE Index (*1778)	1800	6	28	40	58	30	50	65	75
	1850	1	13	25	37	77	88	97	103
	1900	½	7	14	20	127	128	135	140
	1950	½	3	8	13	177	178	180	183
	2000	½	1½	4	8	227	228	228	230

August 25 Total Contracts 52,902 Calls 31,796 Puts 21,106
FT-SE Index Calls 6295 Puts 7921
*Underlying security price.

"Combining growth with debt repayment"

Extracts taken from the address by Dr Gerhard de Kock, Governor of the South African Reserve Bank, at the sixty-eighth ordinary general meeting of stockholders of the Bank on 23 August 1988

Dr Gerhard de Kock

Vigorous economic upswing and higher growth rate

The single most important development in the South African economy during the past year was the acceleration in the rate of growth of total spending, output and income. From the second quarter of 1986 to the second quarter of 1988 real gross national product increased at an average annual rate of about 5 per cent. The main driving force behind this forward surge was a rise in consumer and investment spending.

The good growth performance of the economy is all the more gratifying because it was accompanied by a marked further decline in the rate of inflation. The twelve-month rate of increase in consumer prices slowed down from its peak of 20,8 per cent in January 1986 to 12,4 per cent in June 1988.

Balance of payments developments

As expected, the accelerated increase in spending and output during the past year brought about a marked rise in imports and a decline in the surplus on the current account of the balance of payments. After registering an accumulated surplus of R19,3 billion or 4½ per cent of gross domestic product during the three-year period 1985–87, the current account, at seasonally adjusted annual rates, showed a deficit of R410 million during the first quarter of 1988 and a surplus of R960 million during the second quarter.

The total net outflow of non-reserve-related capital declined from R3,1 billion during 1987 to a mere R0,7 billion during the first quarter of 1988. During the second quarter, however, it increased to about R2 billion, most of which occurred during the last three weeks of June. While this outflow consisted partly of debt repayments, it also reflected unfavourable leads and lags in foreign payments and receipts. In these circumstances the rand depreciated against a weighted "basket" of currencies by 13,7 per cent between 4 January 1988 and 19 August.

One positive consequence of these various balance of payments developments was a marked further improvement in South Africa's already sound foreign debt ratios. Present indications are that, in addition to continuing to meet all foreign interest and dividend payments, the South African economy will by the end of 1988 have made net repayments of roughly US$6,0 billion of foreign debt, valued at constant US dollar exchange rates, over a period of only four years. As a percentage of exports of goods and services, these net repayments will have amounted to an average of about 6½ per cent per year.

South Africa's ratio of foreign interest payments to exports of goods and services, which amounted to only 10,7 per cent in 1985, compared with an average of 30,2 per cent for Western Hemisphere developing countries, declined to a mere 7,1 per cent in 1987. It is still falling and will probably amount to only about 6½ per cent in 1988.

Similarly, South Africa's ratio of foreign debt to total exports of goods and services declined from a peak level of 171 per cent in 1984 to 93 per cent in 1987. In contrast, the comparable ratio for Western Hemisphere developing countries deteriorated from an average of 273 per cent in 1984 to 332 per cent in 1987.

Tightening of monetary policy

The strong further upswing during the past year in domestic spending, output and income – accompanied as it was by excessive increases in bank credit and the money supply – clearly called for a tightening of monetary policy.

In February 1988 the Reserve Bank, with the concurrence of the Minister of Finance, set a new target range for the rate of increase of the broad money supply – M3 – of 12 to 16 per cent between the fourth quarter of 1987 and the fourth quarter of 1988. This was 2 percentage *points lower* than the comparable target range during 1987.

In the ensuing months it became increasingly clear that the economic upswing was stronger than had been expected. Bank credit was rising too rapidly, and the rate of increase of the money supply was accordingly exceeding the target range of 12 to 16 per cent.

It is true that the velocity of circulation (V) of M3 declined during both the first and second quarter of 1988, largely as a result of "re-intermediation". This means that the *effective* broad money supply or MV, i.e. *M3 adjusted for changes in its velocity of circulation,* increased by considerably *less* than M3 during the first half of 1988. Even with this qualification, however, the rate of increase of M3 was still unduly high.

The Reserve Bank therefore from early March onwards progressively tightened its monetary policy. It realised that in the existing circumstances the key to success in this endeavour was effective restraint over its own net domestic credit creation. The Bank therefore proceeded to curb its own accommodation and, as both a logical consequence and an integral part of this more restrictive policy, raised its Bank rate from 9½ to 10½ per cent in March 1988, to 11½ in May and to 12½ in late July. On each occasion these increases were accompanied by increases of 1 percentage point in the prime overdraft rates of commercial banks, which accordingly moved up over this period from 13 to 16 per cent.

In an attempt to avoid doing "too little too late", the Reserve Bank on this occasion began to act relatively early and tightened its policy in an incremental way which minimised disruption and hardship. Even so, in retrospect there can be little doubt that monetary policy should have been tightened earlier and that interest rates should have been allowed to rise sooner. In its attempts to moderate the rise in interest rates in order to promote economic growth and to assist farmers, small businesses and home-owners, the Reserve Bank initially created too much central bank credit and in this way facilitated the excessive increases in bank credit, the money supply, total spending and imports.

It needs to be emphasised once again that the rise in interest rates during the past nine months formed an essential ingredient of the policy of curbing the excessive growth of credit and money. The South African economy is a reasonably developed one that relies to a significant extent on private enterprise and effective competition, and has sophisticated financial markets. In any such economy a monetary policy of reducing the rate of increase of money creation and spending at a time when the demand for credit is inordinately high and the foreign reserves are under pressure, inevitably implies at least a temporary rise in short-term interest rates.

The need for interest rates to rise in such circumstances cannot be obviated by placing quantitative credit ceilings on the banks and/or by imposing direct deposit rate control. This will not reduce the *demand* for credit and will result in "disintermediation", i.e the replacement of credit formerly extended through the intermediation of a bank or other financial institution by non-intermediated credit extended directly by primary lenders to ultimate borrowers, including off-balance-sheet financing by the banks themselves. Credit ceilings and/or deposit rate control will therefore fail to achieve the objectives of curbing the expansion of total spending and improving the balance of payments.

The State President's economic initiatives and fiscal policy

The progressive tightening of monetary policy during the past six months has dovetailed well with the important new economic initiatives announced by the State President in February 1988 and the fiscal discipline currently applied by the Minister of Finance.

Particularly to be welcomed are the decisions to curb the expansion of Government expenditure more effectively, to scale down the share of the public sector in the economy, to reduce the Budget "deficit before borrowing" as a percentage of gross domestic product, to proceed with privatisation and deregulation, and to implement certain important tax reforms proposed by the Margo Commission.

In May 1988, and again in August, the basic monetary and fiscal strategy was supplemented by a number of other measures designed to curb total spending and the demand for credit, and in some cases also to discourage imports more selectively. These measures included tighter restrictions on hire-purchase transactions and leasing and rental agreements, and a system of differentiated import surcharges. The preference shown in this regard for policies that operate via the price mechanism as opposed to direct quantitative restrictions that require much bureaucratic "red tape", is greatly to be welcomed.

Present situation and prospects

In retrospect it is clear that the year to June 1988 was fundamentally a good one for the South African economy. Business and consumer confidence improved, the upswing gained considerable momentum, the rate of real economic growth accelerated, the rate of inflation declined, and the average standard of living per head of the population increased. In recent months, however, the relatively high rate of domestic economic expansion has combined with the rising US dollar, the falling dollar price of gold and rising interest rates in the world's main financial centres, to bring pressure to bear on both domestic resources and the balance of payments. These changes in the economic situation have posed a new set of challenges for the authorities, and have led to a progressive tightening of monetary policy and accordingly a rise in interest rates.

In the meantime there have been indications that, although activity is still at a high level, the economy has begun to cool down. The business cycle in South Africa has either already reached an upper turning-point or is about to do so.

Against the background of these natural economic forces and the monetary, fiscal and other stabilisation policies now in place, the broad prospects for the South African economy in the year ahead, as they appear at this stage, may be summarised as follows:

- The rates of increase of bank credit and the money supply may be expected to show a downward tendency. Because of the normal time lags in the transmission of monetary policy, this tendency is unlikely to become pronounced before the latter part of 1988 or early in 1989.
- The rate of increase of total spending should gradually decline to a more appropriate and sustainable level.
- In the period immediately ahead the economy is likely to experience a moderate cyclical downturn of limited duration, to be followed in due course by the next upswing in accordance with the usual cyclical pattern.
- Although it will probably continue to show marked fluctuations from quarter to quarter, the rate of growth of real gross domestic product is still expected to approach 2½ per cent in calendar 1988.
- The rate of inflation as measured by the consumer and producer price indices will probably rise in the months ahead, largely as a result of the depreciation of the exchange value of the rand since the end of 1987 and the recently imposed import surcharges. If adequate monetary and fiscal discipline is applied, however, the rise in the inflation rate should be fairly moderate, and should prove to be only a temporary reversal of the downward trend that was evident from the first quarter of 1986 to the first quarter of 1988. It remains a major objective of official policy to bring about a gradual decline in the rate of inflation.
- The current account of the balance of payments will probably show a moderately larger surplus during the second half of 1988 than during the first half, followed by a still larger surplus in 1989. This is mainly because real imports, which have already begun to level off, are expected to decline as the rate of increase of total spending slows down.
- If monetary policy in South Africa remains appropriately tight, present indications are that the current account surplus will be adequate to finance the expected debt repayments and any other likely capital outflows.
- Depending upon imponderables such as the behaviour of the US dollar and the price of gold, the effective exchange rate of the commercial rand should show little if any further depreciation during the coming months, and might well appreciate moderately if the US dollar were to depreciate in terms of the other major currencies.
- The recent downward pressure on the gold and foreign exchange reserves should abate *during the coming* months, and the reserves are likely to resume an upward trend in 1989.

The year ahead will not be an easy one for the South African economy. Apart from the longer-term structural issues that require further attention, there are problems of internal and external economic stability that have to be dealt with in the short term. Moreover, the "soft" economic policy options open to so many other countries, including easy access to foreign loans and credits, are simply not available to South Africa.

It is in full acceptance of these realities that the Reserve Bank and the Treasury have responded to the recent national and international economic developments by tightening monetary and fiscal policy and taking other corrective action. The right policies are now in place. There can be little doubt that if they are properly and consistently applied, they will achieve their objectives of curbing overspending and strengthening the balance of payments and the official gold and foreign exchange reserves.

هكذا من الأصل

LONDON STOCK EXCHANGE

Sell – off after bad trade figures

A July balance of payments deficit effectively double the figure expected by the market hit London's equities like a bombshell, triggering a sell-off and another rise in UK interest rates. The gilt-edged market was ruffled by the news but subsequently recovered its poise.

The FT-SE index of 100 shares went into a tailspin immediately following the figures and at one point registered a fall of 51.4, shrugging off numerous attempts at rallies on the way down.

The first vain attempt at arresting the slide took place when the index was showing a fall of some 27 points while other support levels were apparent as the index careered down. At the 51.4 level, the market hovered, then had more success with a rally.

The index picked up and ended a traumatic session showing a net fall of 39.0 at 1780.2, it biggest fall in a single day since March 24. Turnover in equities was sharply higher; volume of 116.1m at 11 am turned into a figure of 524.1m at 5 pm, compared with Wednesday's 384.8m, Tuesday's 319.2m and Monday's 231.5m.

John Reynolds, economist at Prudential-Bache, called the numbers " quite clearly horrific" and said the rate rise to 12 per cent was "unavoidable".

Account Dealing Dates		
*First Dealings:		
Aug 15	Sep 5	Sep 19
Option Declarations:		
Sep 1	Sep 15	Sep 29
Last Dealings:		
Sep 2	Sep 16	Sep 30
Account Day:		
Sep 12	Sep 26	Oct 10

*New time dealings may take place from 9.00 am two business days earlier.

He added : "Although the 12 per cent could be the short –term peak,there is a nagging suspicion another rise could be on the cards".

There are no concrete signs yet of a slowdown in growth and the bias looks on the side of more rises. But we are now hoping for a period of relative *calm – there are no more economic figures until September 12 when the August retail figures are due*".

At Robert Fleming Securities, John Whitehead said the trade figures "may be the worst of the year", adding that "the probable increase in mortgage rates will choke off demand, particularly on the consumer side. The reaction in the equity market was rapid, deep and understandable. but there was support at 1,750 on the FT–SE.

Share prices managed to record minor improvements at the outset, building on Wednesday's marginally firmer trend. *Wall Street's strong showing overnight was the* major impetus for the rise.

But the market began to falter early with moves by some of the leading marketmaking firms, led by Citicorp Scrimgeour Vickers, to narrow dealing spreads – the difference between buying and selling prices – said to have increased the recent mood of nervousness and caution in the market place.

Warburg Securities' John Sheppard said the trade figures were "a hell of a shock" but rated the performance of gilts as "very encouraging – a resilient showing". Longer–dated gilts closed with falls of around ¼ while shorts were ⅛ off.

FINANCIAL TIMES STOCK INDICES

	Aug 25	Aug 24	Aug 23	Aug 22	Aug 19	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.34	87.60	87.54	87.82	87.96	84.96	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.03	97.33	97.18	97.55	97.61	92.77	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1432.6	1467.5	1466.1	1477.2	1484.5	1755.1	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	199.1	197.5	194.6	194.8	193.3	435.6	312.5 (7/1)	187.8 (18/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Aug 25	Aug 24	Aug 23	Aug 22	Aug 19	Year Ago
Ord. Dl. Yield	4.75	4.65	4.66	4.62	4.60	3.28
Earning Yld %(full)	11.98	11.73	11.75	11.66	11.60	8.05
P/E Ratio(Net),☆	10.16	10.38	10.36	10.44	10.49	15.26
SEAQ Bargains(5pm)	25,992	19,209	20,554	20,977	20,955	30,014
Equity Turnover(£m)†	-	839.71	746.65	626.77	844.82	1224.82
Equity Bargains†	-	20,466	21,557	21,775	21,997	36,917
Shares Traded (ml)†	-	381.5	265.4	234.6	328.8	362.2

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1467.9	1462.5	1462.8	1446.5	1437.6	1425.0	1431.6	1435.4

DAY'S HIGH 1467.9 DAY'S LOW 1424.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆ Nil 10.07 † Excluding intra-market business

● S.E. ACTIVITY

Indices	Aug 24	Aug 23
Gilt Edged Bargains	92.6	98.8
Equity Bargains	132.6	139.7
Equity Value	1697.3	1509.2
5–Day average		
Gilt Edged Bargains	98.7	101.2
Equity Bargains	138.5	139.3
Equity Value	1554.2	1519.3

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,400	151½	-2½	Cons. Gold	358	990	-22½	Land Securities	1,900	539	-14	Rothmans "B"	379	423	-11
Abbey Life	1,900	310	-6	Cookson	414	244	-18	Laporte	313	402	-6	Ryl Bank Scotland	27	344	-11
Allied-Lyons	4,400	403	-15	Courtaulds	2,200	323	-12	Legal & General	517	309	-7	Royal Insurance	1,800	382	-13
Amstrad	5,800	209½	-11½	Dalgety	333	331	-2	Lloyds Bank	1,500	289½	-13½	STC	4,800	262	-15
Argyll Group	1,800	174	-4	Dee Corporation	2,800	173	+1	LASMO	2,800	389	-24	Saatchi & Saatchi	3,600	357	-8
Assc. Brit. Foods	1,500	394	-2	Dixons	1,900	168	-7	Lonrho	4,300	245	-3	Sainsbury	981	213	-2
BAA	861	265½	-5½	Eng. China Clays	1,000	463	-9	Lucas	274	537	-10	Scott & Newcastle	1,500	347	-11
BAT	5,100	434	-2	Enterprise Oil	846	447	-20	MEPC	2,000	534	-8	Sears	17,200	144½	+7½
BET	1,700	222	-5	FKI Babcock	3,200	122	-8	Marks & Spencer	7,600	161	-4	Shell Transport	2,700	998	-27
BICC	141	337	-9	Fisons	1,600	234	-4	Maxwell Comm.	1,600	203	-1	Siebe	1,300	375	-6
BOC	1,200	394	-10	General Accident	558	881	-19	Metal Box	1,300	218	-10	Slough Estates	2,200	285	-16
BPB Inds	991	282	-4	General Elect.	2,700	154½	-4½	Midland Bank	1,300	399	-11	Smith & Nephew	2,900	113	-3½
BTR	3,400	272	-5	Glaxo	2,000	946	-10	NatWest Bank	1,400	527	-11	Standard Chrtd.	341	508	-8
Barclays	2,300	401	-6	Globe Investment	960	148	-3	Next	2,900	228	-8	Storehouse	4,200	217	-13
Bass	1,100	761	-13	Glynwed	530	296	-12	Northern Foods	363	277	-5	Sun Alliance	159	958	-15
Beecham	1,900	466½	-8½	Granada	1,500	294	-4	Pearson	172	731	-15	T & N	525	177½	-3½
Blue Arrow	3,800	93½	-2½	Grand Met	5,300	501	-6½	Pearl Group	459	474		TSB	5,900	100¼	-4¼
Blue Circle	1,700	440	-18	GUS "A"	838	£10⅞	-⅛	P & O	1,300	573	-13	Tarmac	3,200	232½	-11½
Boots	5,000	214	-3	Guardian R.E.	1,000	178	-7	Pilkington	3,600	203½	-6½	Tate & Lyle	233	840	-4
Brit. Airways	3,500	154	-4	GKN	962	318	-13	Plessey	2,100	159	-6	Tesco	1,700	142	-3
Brit. Aerospace	2,200	499	-16	Guinness	3,800	309	-7	Prudential	2,700	154½	-7½	THORN EMI	1,500	642	-9
Brit. & Comm.	2,900	226	-7	Hammerson	220	613	-5	Racal	5,100	306	-11	Trafalgar House	2,500	314	-5
British Gas	7,100	175½	-5½	Hanson	9,100	136½	-4½	Rank Org.	420	700	-7	Trusthouse Forte	2,400	241	-18
British Land	2,600	318	-13	Harrisons & Cros.	306	628	-10	RMC	688	466	-9	Ultramar	2,800	251	-19
BP	5,400	240½	-5½	Hawker Siddeley	782	514	-11	RHM	2,200	411	-6	Unilever	1,300	441	-6
Brit. Telecom	3,400	234	-3	Hillsdown Hldgs	574	277½	-6½	Reckitt & Colman	266	898	-23	United Biscuits	1,400	275	-9
Burmah Oil	448	505	-9	IMI	347	198	-4	Redland	610	485½	-11½	United News.	875	404	-16
Burton	3,500	211	-7	ICI	2,200	993	-19½	Reed Intl.	1,900	421	-9	Wellcome	863	496	-7
Cable & Wireless	3,600	368	-8	Inchcape	1,700	211	-10	Reuters "B"	355	472	-6	Whitbread "A"	1,800	293	-6
Cadbury Schweppes	3,200	364½	-11½	Jaguar	1,700	264	-2	RTZ	1,100	439	-10	Williams Holdings	3,300	291	-3
Coats Viyella	1,500	216	-4	Ladbroke	10,000	452	+5	Rolls-Royce	5,200	133½	-4½	Wimpey	2,500	244	-6
Commercial Union	577	348	-11									Woolworth	1,400	255	-14

Ladbroke shines in gloom

ANALYSTS and investors were delighted by glittering interim figures from Ladbroke, the leisure and hotel group, which reported record profits of £118.2m (£55.2m). Mr Cyril Stein, Ladbroke chairman, *said*: "We were enjoying champagne after our figures, but drowning our sorrows after the national figures were released." Despite the bloodletting in the wider market, Ladbroke shares closed with a rise of 5 to 452p as 10m changed hands.

The initial profits announcement caused some confusion, with analysts briefly misinterpreting an exceptional profits item. When it sank in that the £28.5m item was below the line, the buy orders went out and the shares forged ahead. The unexpectedly poor trade figures checked progress, sending the shares down to 441p at one stage before they rallied to the close. Mr Stein joked: "We will try not to coincide with trade figures in future."

Analysts soon raised their *full year forecasts*. Mr Peter Hilliar of Barclays de Zoete Wedd predicts £240m, up from £225m. Rebecca Muns of Citicorp Scrimgeour Vickers also goes for £240m, noting that the Hilton hotel deal is looking ever better as time goes by.

AGB stake bought

AGB Research climbed against the market on what dealers at first thought was speculative buying. It soon became clear that the buying was rather more than speculative as dealers confirmed that the agency broking side of *Alexanders Laing & Cruickshank* had been around the market bidding 220p per share for a 14.9 per cent stake. The buyer was confirmed after hours by AGB's advisers Morgan Grenfell as Pergammon Professional and Financial Services, part of Mr Robert Maxwell's business empire. AGB shares jumped 17 to 200p, before slipping back to close with a net gain of 3 at 190p.

Mr Peter Tyrer, AGB finance director, indicated that a statement will soon be made revealing Mr Maxwell's intentions. He described it as a "wait and see situation", but would not comment on whether *a full bid* is in prospect.

Mr Chris Akers, analyst at Citicorp Scrimgeour Vickers, speculated that Mr Maxwell would have to have the agreement of AGB directors before he could launch a successful bid. "It is possible the holding is a so-called doorman holding, similar to Mr Maxwell's 20 per cent stake in Central TV," he said.

Touche Remnant was known to hold an 11 per cent stake in AGB and there was speculation that this may have been sold to Pergammon yesterday. MAI recently announced its 31 per cent stake with an option to increase to 35 per cent.

Sears speculation

Persistent activity accompanied by the usual well-aired rumours of stakebuilding, the posibility of a consortium bid or a management buy-out of British Shoe drove Sears shares higher to close at 144p, up 7. Most of the talk centred on the buy-out named option as the shares topped the turnover charts at 17m shares.

After a relatively quiet start, fresh speculative interest was triggered by aggressive demand for Sears "call" options from Hoare Govett and *other brokers. By 2pm, around* 3,000 Sears "calls" had been traded and at the end of the session the total was 3,375.

Stake building rumours have surrounded Sears for over two months. The Al-Fayed brothers are known to have a stake of around 10 per cent and Hanson, with its ever increasing cash mountain, has also been put forward as a possible predator. Mr G. Maitland Smith, chairman and chief executive of Sears, commenting on the rumours said "they are pure speculation and typical of the silly season in the City."

The conclusion of the long *running saga between BAT* Industries and the US Farmers Group following the agreement overnight on terms for a friendly merger insulated the UK tobacco major from the surrounding turbulence yesterday. While other Alpha stocks were falling down in domino fashion, shares of BAT stood their ground.

Seven months of uncertainty were removed when Farmers accepted an improved offer of $75 per share. The bid, worth $5.2bn, was considerably in excess of the original $63 a share bid, but below the figure of $80 speculated on Wall Street.

City analysts were generally positive on the deal with Mr Chris Pale of Citicorp Scrimgeour Vickers saying: "It will lead to a major change in sentiment and eventually a re-rating of the stock". Kleinwort Grieveson's Mr Paul Burke summed up similarly: "The price of the bid will go down well, the diversification is welcome and in time the market will appreciate the move".

BAT shares rose in steadily increasing volume to 449p before turning back to settle at 434p. Marketmakers attributed the late downturn to Wall Street's early dullness more than the knock-on effects of an agitated London market. "This is a first-class defensive play", ventured one leading trader. Turnover finally amounted to 5.1m shares.

Despite a tendency for food retailers to suffer a knock-on effect from the punishment meted out to the stores sector, Dee Corporation traded strongly, gaining a penny to 173p with 2.8m shares changing hands. Dealers pointed to its recent steady performance and said buyers were motivated by the good dividend yield. Although there were no specific rumours, one dealers commented that Dee's management has to perform well or be taken over, leaving the shares with little downside.

Also in the Foood sector, Dalepak recorded a gain of 5 to 98p in good two-way business. Results at the beginning of August focused attention on the stock, which is seen as a recovery situation.

Trafalgar House partially resisted the sharp equity shakeout, closing only 5 lower at 314p after volume of some 2.5m shares. In a review of the group, Shearson Lehman Hutton, the securities house, points out that Trafalgar's rating has suffered partly from fears of a share exchange offer for Costain. "The shares now trade at a 25 per cent discount to the stock market", says Shearson analyst Mr Christopher Alexander. "The outlook deserves better recognition than an 1989 p/e ratio of 7.6", he continues," and the successful sale of the oil and gas division could trigger a significant re-rating".

International leaders failed to share in the afternoon's slight rally, with most showing substantial losses by the close. ICI fell below the £10 level, closing down 18 at 993p, and *Glaxo lost 10 to 946p*. Reckitt & Colman crashed 33 to 888p.

Hanson slipped 5½ to 136½p in turnover of 9.1m shares, despite bullish appreciation of Tuesday's figures.

The banking *sector* initially held up well, but subsequently succumbed to persistent selling pressure. Support triggered by the latest boost to bank base rates quickly petered out, with Lloyds finally 13¼ down at 289½p and Midland and NatWest down 11 apiece at 399p and 527p.

Standard Chartered fell 8 to 508p, with the market now taking the view that the much-heralded £300m–*plus* rights issue could be postponed until October at the earliest.

TSB saw a turnover figure of almost 6m as the shares dipped 4¼ to 100¼p despite major activity of 2,280 contracts in call options. Merchant banks with marketmaking operations were particularly weak with Morgan Grenfell 14 cheaper at 299p and SG Warburg 8 off at 299p.

Brewery stocks found little support, despite their renowned defensive qualities. Bass fell 13 to 761p, after 750p, while Guinness lost 7 to 309p. Grand Metropolitan rallied to *close 6¼ down at 501p and* Vaux finished strongly at 701p, down just 6 on the day.

Irish Distillers held steady and gained 2 to 341p, while second-liner Burtonwood put on a penny to 170p.

Faced with the prospect of still higher mortgage rates, Building shares fell way sharply. Most of the business, however, was said to have been between marketmakers. Recent speculative favourites were particulalrly vulnerable with Blue Circle tumbling 18 to 440p and Ibstock Johnsen 17 to 173p. English China Clays, in which Brierly Investments recently disclosed a 4.24 per cent stake, ran back 9 to 463p.

Amstrad suffered the full effects of worries that the latest interest rate hike will finally put the lid on consumer spending and the shares dropped 11½ to 209½p in turnover of 5.8m. Other leading electrical issues were badly hit. Ferranti fell 4 to 90p, BSR lost 6 to 82p and Racal shed 11 to 306p.

BT found support on defensive grounds, losing only 3 to 234p in turnover of 3.5m shares, while Cable & Wireless lost 8 to 368p.

Property shares, already under a cloud following recent suggestions that City rents may be at their peak, were dealt a further blow by the latest rise in interest rates. British Land tumbled 13 to 318p in a volume of some 2.6m, while Land Securities (1.6m) sustained a similar fall at 534p. Losses of around 13 were recorded in Greycoat, 399p, and P&O, 573p.

Peachey, in contrast, held relatively *steady in the wake of* its further rejection of the unwelcome offer from Wereldhave.Peachey is estimating a net asset value at August 24 of 676p a share and says that rent reviews *on* existing properties are expected to increase gross rents to £9.5m by June 1993.

All sections of the Motor market reported casualties with component leader Lucas Industries falling 10 to 537p and Dowty losing 5 to 210p. Distributors were led lower by recently-strong Evans Halshaw, which fell 10 to 336p as investors realised profits, while Hartwell gave up 7 at 121p. ERF slipped 9 to 422p, but the beleaguered maker of luxury cars, Jaguar, attempted to steady. With an uneasy market awaiting today's interim results, the shares closed only 2 off at 264p.

Associated Newspapers fell *23 to 505p after it finally* announced the much-rumoured sale of its Blackfriars Oil & Gas subsidiary to Ultramar for £110.2m. Other issues in the sector suffered, with Reed International slipping 28 to 401p and United Newspapers falling 16 to 404p, after 399p.

Textile losses ran to double-figure amounts, Courtaulds ending 12 down at 323p after a trade of 2.4m shares and Illingworth Morris losing 9 to 154p. Very few issues resisted the trend with the exception of G&G Kynoch, up 20 at a year's high of 360p following demand in a limited market.

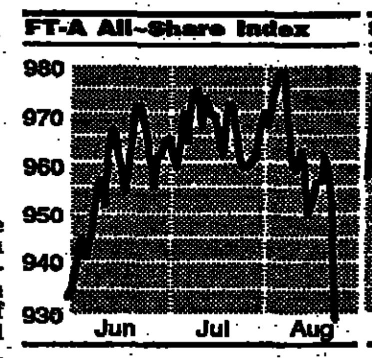
International City Holdings suffered when the recovery staged over the past two weeks was savagely reversed. Renewed selling found the market none too willing and the shares retreated quickly to 120p, for a net loss of 11.

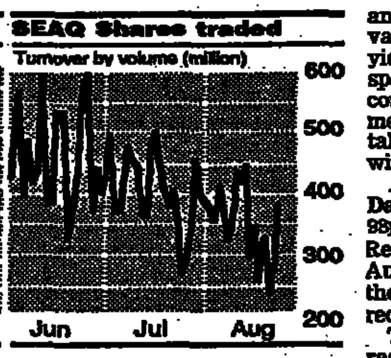
The final straw for a nervous oil sector was the sale of a large block - 7.8m shares - of British Petroleum partly-paid stock at 140p. The business was the largest single trade for some time and was done at a small discount to the prevailing market price, giving traders further cause for worry. BP partly-paid closed 6 down at 142½p while the "old" shed 5½ to 240½p.

Heavy falls were strewn across the rest of the sector with Shell 27 lower at 998p and British Gas 5½ cheaper at 175½p. The losses among speculative issues were even more spectacular.

The sharp increase in activity in markets after the trade figures produced a major increase in business in traded options. Calls totalling 31,796 and 21,106 puts gave a total of 52,902 contracts, compared wqith the previous day's figure of 18,946 contracts. The FT-SE accounted for 6,295 calls and 7,921 puts while there was a big turnover in Hanson, where there were 3,735 calls and 438 *puts*.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 23.





NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (29).
BRITISH FUNDS (1) Conv. 3½pc '61, CANADIANS (1) Dasbus Res., BANKS (1) Nat. Aust. Bk., BREWERS (1) Irish Distillers, BUILDINGS (1) Jennings, STORES (2) Coles Myer, Pepe, ELECTRICALS (5) Ericsson, Harland Simon, Lec Refrigeration, Pifco, Do. 'A', ENGINEERING (3) BM Group, Chemring, Thyssen, FOODS (1) Northumbrian Foods, INDUSTRIALS (7) Campbell & Armstrong, Cooper (A.), Dolphin Pack, Hughes (HT), Mayne Nickless, Rauma-Repola, Westmex, PAPERS (1) Shelton (M.), PROPERTY (1) Mountview Ests., TEXTILES (1) Kynoch (G & G), TRUSTS (1) Kleinwort Sm. Cos., OILS (1) Global Nat. Res., MINES (1) Emperor Mines.
NEW LOWS (111).
BRITISH FUNDS (38) LOANS (2) BANKS (7) Brown Shipley, First Nat. Fin., FNFC 6.3pc Rd Pf., Gerrard & Nat., Hambros, Prov. Financial, Warburg (S.G.), BUILDINGS (4) Colroy, McAlpine (A.), Polypipe, Ward Hldgs., STORES (8) Brown (N.), Etam, Field (Mrs) Inc., Goodman, Hogg Robinson, Mallett, Vivat, Wickes, ELECTRICALS (8) ABB Kent, Arlen, F & H Grp., Farnell Elec., Memory Comp., Personal Comp., Pilgrim House, Rodime, ENGINEERING (2) Habit Precision, TACE, FOODS (1) Acatos & Hutcheson,
INDUSTRIALS (16) BET, Dobson Park, Dyson (J. & J.) 'A', Elewick, Feedex Agric., Mosaic Inv., Ricardo, Sothebys Hldgs., Thomson T-Line, Tomkins (FH), INSURANCE (1) NZI Cos., LEISURE (2) BCE Hldgs., Hi-Tec Sports, MOTORS (3) March Grp., Armstrong Eq., Spice, NEWSPAPERS (1) News Int. Spec. Div., PAPERS (7) Bosse Massimi, Holmes Marchant, Horne (Robert), Do. 'A', Norton Opax 5¼pc, Saatchi 6.3pc, Smith (David S.), PROPERTY (5) BHH, Connells Est. Agts., Mountleigh 6.25pc, Ossory Ests., Slough Est. 6pc Cv Bd., TEXTILES (1) Haggas (J.).
TRUSTS (12) OILS (4) Floyd Energy, Lysander Pet., Nth. Sea Gen., Sandpiper Oil, MINES (2) Enoex Int., Glencar Expl., THIRD MARKET (1) Caldwell Instr.

APPOINTMENTS

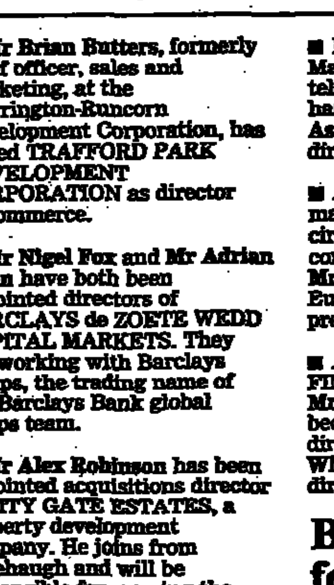
Engineering director for Underground

LONDON UNDERGROUND's new engineering director is to be Mr Brian Mellitt.

He is currently dean of the faculty of engineering and head of the department of electronic and electrical engineering at Birmingham University.

Professor Mellitt takes up his new post in January. He worked with English Electric's traction division, and at British Rail's research centre in Derby before joining the academic staff at Birmingham.

There he has built up the power electronics and traction system research group, and has been involved in railway research and consultancy work worldwide.



Professor Brian Mellitt

Senior posts at Peek

Mr James G. Sanger, an executive director of Tomkins, will be resigning on September 2 to become an executive director of PEEK. Mr Sanger, based in London, will be responsible for corporate finance and development. His appointment follows the acquisition by Peek of Dubilier International. Mr Anthony A. Beswick has been appointed Peek's group managing director, industrial automation, based in King's Worthy, Winchester. He is deputy managing director of Ferranti Computer Systems, and chairman of Ferranti International Controls Corporation (Houston) and Ferranti Healthcare Systems Corporation (Baltimore) in the US. Mr Anthony Spiro is to join TOMKINS in September as head of corporate affairs with responsibility for investor relations and corporate communications. He is *company* secretary and group business development manager with the 600 Group. He will be taking over the responsibilities of Mr Sanger.

■ Mr Brian Butters, formerly chief officer, sales and marketing, at the Warrington-Runcorn Development Corporation, has joined TRAFFORD PARK DEVELOPMENT CORPORATION as director of commerce.

■ Mr Nigel Fox and Mr Adrian Swan have both been appointed directors of BARCLAYS de ZOETE WEDD CAPITAL MARKETS. They are working with Barclays Swaps, the trading name of the Barclays Bank global swaps team.

■ Mr Alex Robinson has been appointed acquisitions director of CITY GATE ESTATES, a property development company. He joins from Rosehaugh and will be responsible for running the site finding and acquisitions team.

■ As part of the restucturing plans of Antler Property Corporation, Mr Roger B. Kilty has been made managing director of ANTLER DEVELOPMENTS, Leeds. He was managing director of Shop and Store Developments.

■ Mr Andy Etherington has been appointed managing director of SL CONSUMER ELECTRONICS (UK), Basildon, Essex, a Nokia Group subsidiary. He was European marketing manager of Nokia Consumer Electronics in West Germany. Nokia is a Finnish company.

■ DIAL-A-PHONE, a Manchester-based telecommunications company, has appointed Mr Andrew Aspinall as its financial director.

■ ANALOG DEVICES, a manufacturer of integrated circuits and modular components, has appointed Mr Tom Urwin, director, European components, a vice president.

■ At KEY BUSINESS FINANCE CORPORATION Mr David M. Green has become sales and marketing director and Mr John D. Wheeler a non-executive director.

Board changes follow dispute

■ Mr Christopher Wright has resigned as managing director of CENTRAL MOTOR AUCTIONS, the Leeds-based *auction group which joined* the Unlisted Securities Market in April, after a dispute with fellow board members over the pace of expanding the company's activities, *writes Clay Harris*.

Mr Stephen Kendall, finance director, and Mr Brian Carter, sales and marketing director, will become joint managing directors, as well as retaining their current duties. Mr Kendall said that Mr Wright, who had been with Central since the 1970s, had favoured a slower pace of expansion than other directors.

Soviet grain pact reports shake up Chicago market

By Deborah Hargreaves in Chicago

CHICAGO'S GRAIN markets struggled to find direction in early trading yesterday as reports of a new wheat trade accord between the US and the Soviet Union were rushed around the market.

The US Department of Agriculture would not comment yesterday on newspaper reports of an extension to the five-year grain agreement which is set to run out on September 30. Under the pact, the Soviet Union agrees to buy 9m tonnes of US wheat a year at set prices.

Traders in the wheat futures pit at the Chicago Board of Trade believe the Soviet Union will be a big buyer of wheat *futures as soon as any accord* is reached. For that reason they are expecting wheat to lead grain prices upwards over the next week.

Yesterday, when September wheat futures were trading at $3.85 to $3.90 a bushel, a trader said: "There's a big support area for prices four to five cents higher than where we are now. China will be a catalyst when it comes into the market."

China last week received USDA approval to buy an extra 2m tonnes of subsidised US wheat.

Rumours that China was planning to buy subsidised soyabean oil from the US pushed the soyabean futures complex sharply higher on Wednesday. However, this highly unusual move was discounted after the market closed.

Soyabean futures have had a mixed week, with prices plunging on Monday and Tuesday in response to an unexpected, but welcome, relief from the 100 degrees F temperatures that had been scorching the Midwest in this summer's drought.

*Rain and cooler tempera*tures can still help boost yields for the soyabean crop but any improvement at this late stage in the plant's growing-cycle is likely to be minimal.

Some traders attributed Wednesday's subsequent rally to the realisation that the price drop at the start of the week had been overdone.

Yesterday Mr Gordon Linn of Linnco Futures said: "The soybean market is thrashing around to see where it can go, but it's a thin, vacation-type of trading with not that much interest."

The maize futures market, after spending all summer dominated by worries about the drought and the hot weather, rallied on Wednesday when reports of abnormally cool temperatures in the northern growing-states caused traders to fear again. However, the weather was not cold enough to do any harm to the crop.

The drought has lost its obsessional grip on futures traders as the weather has turned mild and wetter across the Midwest.

Forecasters say this does not mean an end to the worst drought this century and point to the chance of a return to the stifling heat.

In addition, soil moisture reserves, which have been severely depleted this summer, will have to be topped up before the USDA can call an official end to the drought.

However, traders, meanwhile, are focusing more on consumption and demand than the weather.

Iran stands firm against oil parity with Iraq

By Steven Butler

PROSPECTS FOR an early restoration of unity at the Organisation of Petroleum Exporting Countries appeared *to have dimmed following* Iranian statements that it would not accept production-quota parity with Iraq.

Mr Hossein Khazempour Ardebili, Iran's deputy oil minister, was quoted in the Middle East Economic Digest yesterday saying that while Iraq must be brought back into the Opec quota system, this could not be done on the basis of parity with Iran.

Iraq's refusal for the past two years to accept a quota less than that of Iran has been a main destabilising factor in the oil cartel and is blamed in part for helping to push oil prices far below the Opec reference price of $18 a barrel.

The two countries had been at war for eight years until the ceasefire which took effect last Saturday. Many have seen the end to the war as a chance to restore unity in the cartel, although there have also been *fears peace would allow both* nations rapidly to boost oil exports.

Dr Subroto, the Opec secretary general, is scheduled to visit Tehran on August 29 in order to probe for a formula that would allow Iraq to re-enter the Opec quota system. He has said he would ask Iran to accept granting Iraq a quota equal to its own 2.3m barrels a day.

His mission would now appear more difficult at the least. He is scheduled to visit Iraq before returning to the Opec secretariat in Vienna, when he has said he would then set a date for a meeting of the Opec price committee.

Questions have also been raised about whether Iraq would now demand a quota larger than Iran's, thus further complicating the task of formulating a new quota system.

Iraq is expected to be able to produce up to 4m b/d in a year's time and some observers believe it may demand a larger quota because it sees itself as having been victorious in war.

Since the ceasefire was announced both Iran and Iraq have expressed the desire to promote higher, stable oil prices, and Opec unity. However, neither has yet shown willingness to advance the compromises needed to make this happen.

Brent oil for September delivery yesterday drifted down 25 cents to close at $14.675.

Quota rise confuses cane-growers

Canute James reports on Caribbean reactions to US sugar policy

SUGAR-PRODUCERS in the English-speaking Caribbean, already suffering from depressed world market prices, are only slightly heartened by the the US Government's recent decision to raise their export quotas for this year.

Washington's change of position means a 40 per cent rise in shipments to the US, to 53,104 tonnes this year.

The producers, while relieved by this, are aware the decision was influenced by drought-damage to the US crop. They are uncertain if similar concessions will be made next year.

The region's quota for this year had earlier been cut by 27 per cent below that of last year.

Industry leaders lament their inability to plan production for future harvests and wonder about the extent to which they should pursue current plans to diversify agricultural sectors, putting cane-lands to other uses in the face of a dwindling market.

Several of the industry's leaders in the region fear the change in policy by the US is a one-shot measure which, although bringing immediate relief to the embattled industry, could long-term be more disruptive than beneficial.

Mr Harold Davis, chairman of the Sugar Association of the Caribbean, welcomed the US move: "The improved quota will in 1988 certainly improve the foreign exchange earnings of all beneficiary countries, for which we are all appreciative. But while we agree that this is an improvement, we are concerned about 1989 allocation.

"To the producer, ad hoc declarations coming at this time of the year do not help in our planning and therefore all sugar-producers would wish some clearer indication of what is to happen in 1989."

An official of the industry in Barbados welcomed the move but said the island was still far below its 1984 US quota.

Producers in the Commonwealth Caribbean have turned increasingly towards satisfying the assured markets they have – the European Community under the sugar protocol of the Lomé Convention and domestic demand. However, many fear the progressive cut of their access to the US will end in loss of that market.

Mr Erskine Sandiford, Prime Minister of Barbados, had earlier said this year's US quota cut was a disturbing development and had argued for reallocation of shipments to the level of four years ago.

The Prime Minister said of the new US arrangement: "We hope that this temporary measure will be renewed for the 1989 period."

Last year's total output by the Commonwealth Caribbean states was 670,000 tonnes, 11 per cent less than 1986 production.

According to a recent report on regional economies, by the Caribbean Development Bank, the cut was caused by poor weather, higher output costs and lower returns, labour shortages, the reduced US quota and "general uncertainty over prospects in the sugar market."

The bank said the prospects for the region's sugar industry were not promising, although producers benefit from high prices paid by the European Community under the Lomé Convention.

"World market prices. . . are currently insufficient to cover the cost of efficient production," it said.

The effort to diversify and shift the emphasis from sugar cane to other crops is not easy for countries in which sugar has been central to economies for many decades.

Diversification is expensive and, as the industry is a leading employer in the region, there is also a high social cost.

For example, in Trinidad and Tobago the state company Caroni is considering a $32m (£18.8m) reorganisation of the industry which involves cutting land under canes and diversifying to other forms of agriculture. The plan would also mean redundancy for 4,000 workers, 40 per cent of the industry's labour force.

Changes are also planned for the industry in Barbados. This has been kept alive for five years through financial aid of $35m, mainly through bond issues.

Mr Sandiford has argued that diversification of the region's sugar industry has to be properly timed so it could be phased in without economic disruption.

Group output this year is unlikely to be much higher than that of last year:

- Jamaica's harvest has closed with output of 220,000 tonnes. This is 18 per cent higher than output last year, and the highest for the industry since 1980.
- Barbados achieved 80,200 tonnes, 4,500 tonnes below target
- Guyana, main producer in the Commonwealth Caribbean, has been affected by unusually heavy rainfall which is threatening the country's second crop. The first crop was depressed by drought between January and May, and by a month-long strike by field-workers.

The industry was hoping to produce 97,000 tonnes from the first crop but managed only 73,000 tonnes. The setback to these first and second crops threatens this year's 240,000-tonne output target.

Output last year was 221,000 tonnes, 31,000 tonnes below the target set by the industry, following actual output of 245,500 tonnes in 1986.

A representative of the Jamaican industry said: "If sugar-producers in the Caribbean are told that they will have increased access to the United States, and that this is guaranteed for the next five years or so, then they can produce more sugar to supply this market.

"But at this stage of the year, do we plant more canes *with nothing more firm than* a hope that the United States will take more of our sugar in the future?

"And if there is no increased allocation for us next year, can our financially struggling industries afford to sell the extra sugar on the world market below production cost, and accept that we have lost out in a gamble?"

CHINA AIMS to be self-sufficient in sugar after refining centres are completed in 1992, the official People's Daily said, reports Reuter from Peking.

The country hopes to produce an annual 7m tonnes of sugar by 1992, compared with current annual output of about 5m tonnes.

The paper said 34 refineries were being built or expanded in Yunnan and Guangxi, in the south, and Xinjiang, in the north-west.

The three regions' sugar-cane and beet-growing area will be increased by 666,000 hectares in the next few years.

The paper did not say exactly when self-sufficiency would be achieved but said the sugar crisis would be basically solved by 1992.

Industry officials have said national consumption is likely to continue rising at an annual rate of 600,000 tonnes to 700,000 tonnes.

China imported 998,000 tonnes of sugar in the first five months of this year, up from 416,000 in the corresponding period last year, according to the state statistical bureau.

The country has been trying to boost sugar output to meet growing demand but without much success.

Output fell last year because low state purchasing prices led farmers to plant more profitable crops.

Cane output fell 6.7 per cent last year from the previous year, to 46.85m tonnes; beet fell 3.9 per cent, to 7.97m tonnes; and, refined sugar fell 2.6 per cent, to 5.1m tonnes.

Demand rose 13 per cent to 7.12m tonnes in the same period.

The state has increased prices this year. Officials say acreage has risen.

Poultry output rise forecast

WORLD POULTRY-MEAT output is forecast to reach 31.09m tonnes next year, up from 30.12m estimated for this year and 3 per cent above the 1986 total, the US Agriculture Department said, Reuter reports from Washington.

The department, in its World Production and Trade report, said the European Community and the US accounted for much of this year's gain while next year Brazil would be a leading contributor.

World broiler output next year is forecast at 22.7m tonnes, up from 21.9m estimated for this year and 21.3m produced last year.

The department noted broilers continued to capture a bigger share of the total meat market in many countries.

With higher feed prices US broiler output was forecast to grow by about 4 per cent a year in both this year and next. Similar conditions characterised Canadian output.

Mexico's broiler industry continued to suffer from falling demand because of a lack of general economic growth.

In the Soviet Union broiler output was forecast to grow by between 2 and 3 per cent this year and next. Rules encouraging private households to raise poultry did not appear to be having a big impact.

More rain aids recovery of Argentine crops

TIMELY RAINFALL in Argentine farming areas in the week to Tuesday further benefited the 1988-89 wheat crop after a four-month drought, local grain traders said yesterday, Reuter reports from Buenos Aires.

Lands had been saved from a drought dating to March by heavy rainfall the previous week.

The latest rain not only added much-needed moisture but allowed farmers to make up for lost time by speeding up wheat-sowing in central Buenos Aires province, the traders said.

Rain was light in southern Buenos Aires and La Pampa where another 30mm to 40mm are needed.

Producers now expect to reach their sowing targets in most of the wheat belt, although yields will be lower than initially estimated. However, drought is still gripping some parts of Cordoba and San Luis.

Rainfall in the week to Tuesday ranged up to 35mm in Buenos Aires, 28mm in Corrientes, 17mm in Misiones, 31mm in Chaco and 10mm in Formosa. However, La Pampa, Santa Fe and Entre Rios received only one or two millimetres.

Wheat planting advanced to cover up to 70 per cent of producers' intentions, compared with 65 per cent last week and 95 per cent at the corresponding time a year ago.

Producers are aiming at a 4.4m-hectare to 4.7m-ha wheat crop, down from last season's 4.85m ha or 4.95m ha, which private analysts said yielded between 9.9m tonnes and 10.2m tonnes.

The drought forced producers to reduce their initial target of a 5.19m-ha to 5.45m-ha crop this season.

Linseed sowing continued to advance in parts of Entre Rios, Santa Fe and Cordoba.

This covered towards 70 per cent of producers' intentions, up from 60 per cent last week but well behind the 95 per cent sown by this time a year ago.

Producers' latest estimates for the total linseed area range between 621,000ha and 655,500ha.

This compares with initial forecasts of 690,000ha to 700,000ha, and with 675,000ha last season which yielded between 500,000 tonnes and 540,000 tonnes, say private analysts.

Sunflower planting advanced in Chaco where producers covered up to 50 per cent of their target.

They are aiming at a 220,000ha crop in the province, compared with 180,000ha in the 1987-88 season, which yielded 220,000 tonnes.

Malaysia forecasts strong rubber market

WORLD RUBBER consumption this year was expected to climb by 2.8 per cent, to 14.7m tonnes, the Malaysian Rubber Research and Development Board said in its quarterly review, Reuter reports from Kuala Lumpur.

The board estimated this year's world consumption of natural rubber at 4.91m tonnes and of synthetic rubber at 9.79m tonnes.

It said natural rubber prices would remain strong because of depletion of existing stocks.

"The demand for latex concentrate will also increase further and this will ensure firm prices for concentrates and latex-based grades of dry rubber," the board said.

It said Malaysia's total rubber requirement for this year was projected to reach 126,300 tonnes, up 47.8 per cent on last year.

"The expected increase in domestic rubber consumption as a result of an increasing number of new entrants into the rubber-based industry was clearly evident in the early quarter of the year," the board said.

It predicted that the latex goods sector would be the largest user this year, accounting for 62,900 tonnes of the country's projected demand.

The board forecast that this year in the latex-goods sector, which has been boosted by the crisis surrounding AIDS, 29,000 tonnes would be used for producing examination-gloves.

That would represent a 22.9 per cent share of total estimated consumption this year.

The latex requirement for condoms is forecast to reach 900 tonnes, almost double that last year.

The tyre industry was expected to consume 24,500 tonnes of rubber this year, up 11.4 per cent from the previous year.

This was because of the recovery by the automobile industry, the board said.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES came under renewed pressure on the London futures market yesterday as signs of a further easing in the nearby supply tightness triggered what dealers described as "tired long liquidation." The December quotation ended the day £20 down at £854 a tonne, the lowest closing level since June, 1981. On the London Metal Exchange nickel prices slid back further in the absence of fresh demand from major consumers in the stainless steel industry. The cash price closed $325 down at a 5-month low of $13,725 a tonne. Trade selling pushed zinc prices lower, triggering profit-taking, and the cash position closed £19 down at £797 a tonne, wiping out the gains of the previous two days. But copper's upward run continued, with the cash price extending its sequence of gains to seven trading days. An £18 rise lifted the price to £1,397 a tonne, £81 up on the week so far.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.00-3.05q	-0.25
Brent Blend	$14.65-4.70y	-0.25
W.T.I. (1 pm est)	$15.40-5.45q	-0.25

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	-4
Gas Oil	$129-132	-1
Heavy Fuel Oil	$69-70	-1
Naphtha	$136-138	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$433.5	-0.5
Silver (per troy oz)♣	674c	-8
Platinum (per troy oz)	$551.5	+5.1
Palladium (per troy oz)	$124.75	
Aluminium (free market)	$2935	-10
Copper (US Producer)	106⅝-08¼c	+⅛
Lead (US Producer)	36c	
Nickel (free market)	620c	-10
Tin (European free market)	£4437.5	-37.5
Tin (Kuala Lumpur market)	19.68r	+0.02
Tin (New York)	347.5c	+1.0
Zinc (Euro. Prod. Price)	$1275	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	115.39p	-0.09*
Sheep (dead weight)†	165.44p	-1.64*
Pigs (live weight)†	69.75p	+0.23*
London daily sugar (raw)	$276.4s	+2.4
London daily sugar (white)	$266s	+2
Tate and Lyle export price	£273.5	+0.5
Barley (English feed)	unq	
Maize (US No. 3 yellow)	£126q	
Wheat (US Dark Northern)	£124.5x	+1
Rubber (spot)♥	71.75p	-0.25
Rubber (Oct)♥	78.25p	-0.25
Rubber (Nov)♥	78.75p	-0.25
Rubber (KL RSS No 1 Sep)	339m	+1
Coconut oil (Philippines)§	$520w	
Palm Oil (Malaysian)§	$430y	
Copra (Philippines)§	$365	+15
Soyabeans (US)	$201	+4
Cotton "A" index	54.9c	
Wooltops (64s Super)	647p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. x-Aug/Sep. s-Sep/Oct. w-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High	Low
Sep	886	905	898	880
Dec	854	874	871	846
Mar	845	863	859	834
May	852	870	864	843
Jul	866	882	877	860
Sep	882	897	893	868
Dec	921	936	932	907

Turnover: 5491 (4993) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 24: 1087.73 (1082.55) :10 day average for Aug 25: 1102.03 (1110.75) .

COFFEE £/tonne

	Close	Previous	High	Low
Sep	1020	1020	1038	1018
Nov	1035	1034	1052	1035
Jan	1035	1028	1048	1035
Mar	1028	1023	1039	1028
May	1027	1022	1036	1025
Jly	1030	1025	1035	

Turnover: 3127 (2908) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Aug 24:Comp. daily 111.52 (109.58); . 15 day average 107.12 (106.60).

SUGAR ($ per tonne)

Raw	Close	Previous	High	Low
Oct	238.40	242.20	244.00	238.00
Dec	238.60	235.00	240.00	
Mar	228.00	232.00	233.00	227.40
May	222.80	225.00	226.60	225.40
Aug	221.00	224.00	225.00	

White	Close	Previous	High	Low
Oct	258.20	257.50	262.00	256.20
Dec	253.00	254.00	255.00	253.00
Mar	254.50	253.50	258.00	254.70
May	256.00	250.20	257.50	256.50

Turnover: Raw 1296 (1129) lots of 50 tonnes. White 1418 (634) .
Paris- White (FFr per tonne): Oct 1640, Dec 1610, Mar 1610, May 1620, Aug 1620 Oct 1625

GAS OIL $/tonne

	Close	Previous	High	Low
Sep	130.00	131.50	130.50	129.50
Oct	132.50	134.25	133.50	132.00
Nov	135.00	136.50	135.50	134.00
Dec	136.75	137.75	137.00	135.75
Jan	134.25	135.75	135.00	134.00
Feb	132.00	133.50	132.75	131.50

Turnover 5250 (2370) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High	Low
Sep	108.15	108.25	109.00	108.15
Nov	110.05	110.60	110.85	110.05
Jan	112.75	113.40	113.20	112.75
Mar	115.35	116.00	115.35	
May	118.00	118.60	118.40	118.00

Barley	Close	Previous	High	Low
Sep	101.00	101.35	101.25	101.00
Nov	104.35	104.90	104.70	104.35
Jan	107.40	108.05	107.80	107.40
Mar	110.00	110.50	110.00	
May	111.90	112.40	111.90	

Turnover: Wheat 171 (262) . Barley 58 (94) .
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,150 tonne
Cash	2970-3000	2940-70		2925-45		
3 months	2870-900	2830-50		2830-5	2890-910	9,585 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 11,525 tonne
Cash	1764-71	1760-5		1736-40		
3 months	1617-9	1620-1	1620/1597	1604-6	1611-3	44,129 lots
Copper, Grade A (£ per tonne)						Ring turnover 39,250 tonne
Cash	1396-8	1378-80	1387	1386-8		
3 months	1370-1	1361.5-2	1372/1353	1364-5	1370-1	63,702 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1335-40	1320-5		1330-5		
3 months	1325-30	1320-5		1320-5		32 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	670-3	666-9		675-8		
3 months	684-7	682-5		688-90	685-90	516 lots
Lead (£ per tonne)						Ring turnover 7,325 tonne
Cash	360-2	363-5	364	363-4		
3 months	365-6	368-9	372/366	366-6.5	366-6.5	11,492 lots
Nickel ($ per tonne)						Ring turnover 882 tonne
Cash	13700-50	14000-100	14000/13700	13700-50		
3 months	13300-40	13450-500	13404/13250	13200-50	13300-400	5,985 lots
Zinc (£ per tonne)						Ring turnover 13,025 tonne
Cash	796-8	815-7	817/807	806-7		
3 months	793-4	808-9	804/793	800-1	787-8	22,382 lots

POTATOES £/tonne

	Close	Previous	High	Low
Nov	67.0	65.0		
Feb	75.0	76.0		
Apr	96.3	98.0	97.0	94.5
May	106.0	105.8	105.5	

Turnover 95 (376) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High	Low
Oct	170.00	167.00	170.00	168.00
Dec	180.00	176.00	180.00	177.50
Feb	185.00	178.00		

Turnover 155 (168) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High	Low
Aug	1257	1250	1258	1257
Sep	1396	1390	1398	1364
Oct	1469	1455	1480	1450
Jan	1520	1504	1520	1485
Apr	1550	1514	1550	1518
BFI	1253	1252		

Turnover 382 (86)

FRUIT AND VEGETABLES
French president 40-65p a lb and stanley 35-50p plums are new in the shops this week, and homegrown victoria plums are also more plentiful 40-60p (60-70p), reports FFVIB. French golden delicious and English discovery apples continue at 30-50p. French and Italian williams pears are 30-50p (45-60p) and Italian black seedless and Spania alphonse grapes 50p-£1.00. Leeks are 40-60p (50-65p). English and Jersey *courgettes are 20-45p (25-45p) and brussel* sprouts are 30-50p. Jersey Autumn potatoes are 28-38p, new season white 9-12p and red 12-18p. Tomatoes 30-48p, spring onions 20-45p a bunch and British iceberg lettuce 40-75p each, *remain stable*. Heads of round lettuce are 18-28p (16-28p) and larger cucumbers 25-55p each (25-50p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	433¼-433¾	255½-256
Opening	434½-435	257-257½
Morning fix	434.8	257.248
Afternoon fix	434.2	255.637
Day's high	436½-437	
Day's low	432¾-433¼	

Coins	$ price	£ equivalent
Mapleleaf	446-451	263-266
Britannia	446-451	263-266
US Eagle	446-451	263-266
Angel	445-450	262⅞-265⅞
Krugerrand	432-435	255-257
New Sov.	102-103	60-60¾
Old Sov.	102-103½	60-61
Noble Plat	564.85-570	334.3-338.45

Silver fix	p/fine oz	US cts equiv
Spot	403.05	677.90
3 months	414.85	692.50
6 months	427.15	708.40
12 months	450.05	739.75

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2750		224		121
2900		151		185
3100		83		324

Aluminium (99.5%)	Calls	Puts
2800	185	28
2950	90	83
3100	35	176

Copper (Grade A)	Calls		Puts	
2250	126	175	23	105
2350	61	127	57	154
2450	24	89	120	216

US MARKETS

THE GRAINS and soyabean complex was quiet, closing mixed in sessions dominated by early professional buying, late commission house long-liquidation and mixed local activity, reports Drexel Burnham Lambert. Wheat continued to derive support from export business, while underlying support in the products came from Chinese and Soviet buying done yesterday. Cattle remained firm on short-covering, hogs and bellies rose sharply in response to firmer cash prices. Energy futures fell as a report indicated Opec overproduction, trade and commission house selling being the main feature. Copper continued steady on fund, commission house and arbitrage buying, though *gains were pared by technical* profit-taking. The precious metals failed to hold early gains in response to the gross national product figure and a weakened US dollar. Trade selling touched off commission house stops, prompting local selling. Sugar saw a late sell-off in light volume following the market's failure to make new highs. Coffee eased on speculative selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Aug	432.8	434.9	437.0	432.8
Sep	433.4	436.1	0	0
Oct	436.4	438.6	441.0	435.8
Dec	442.2	444.4	446.8	441.8
Feb	448.4	450.6	450.0	448.0
Apr	454.4	456.6	454.9	454.9
Jun	460.4	462.6	461.2	461.2
Aug	466.7	468.8	0	0
Oct	473.0	475.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Oct	547.7	551.2	558.0	546.0
Jan	552.7	556.4	562.5	551.0
Apr	558.2	563.2	565.9	557.7
Jul	564.5	570.2	572.0	572.0
Oct	571.5	577.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Aug	670.8	678.2	0	0
Sep	671.5	679.0	683.0	671.0
Oct	677.1	684.8	0	0
Dec	687.8	695.1	700.0	687.0
Jan	693.0	700.5	0	0
Mar	704.1	711.6	714.0	705.0
May	715.3	722.7	0	0
Jul	726.8	734.3	738.0	730.0
Sep	738.2	745.9	745.0	745.0
Dec	755.5	763.0	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Aug	102.35	100.70	102.50	101.50
Sep	102.25	100.60	102.90	101.20
Oct	101.40	100.10	0	0
Dec	99.65	98.75	100.20	99.10
Jan	98.05	187.15	0	0
Mar	94.90	94.05	95.00	94.40
May	92.25	91.55	92.20	92.00
Jul	90.15	89.55	90.30	90.00
Sep	88.00	87.45	0	0
Dec	85.65	85.25	85.50	85.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Oct	15.43	15.68	15.60	15.38
Nov	15.46	15.72	15.60	15.40
Dec	15.54	15.79	15.65	15.48
Jan	15.53	15.79	15.67	15.60
Feb	15.55	15.79	15.65	15.50
Mar	15.52	15.79	15.67	15.48
Apr	15.50	15.79	15.60	15.50
May	15.50	15.79	15.70	15.50
Jun	15.51	15.79	15.80	15.51
Jul	15.68	15.80	15.80	15.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Sep	4285	4375	4335	4275
Oct	4355	4428	4395	4340
Nov	4435	4512	4475	4425
Dec	4515	4586	4565	4500
Jan	4550	4640	4595	4550
Feb	4535	4594	4650	4512
Mar	4395	4448	4400	4385
Apr	4276	4324	4276	4275
May	4210	4239	4190	4190
Jun	4120	4189	4145	4120

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Sep	1303	1336	1320	1302
Dec	1326	1373	1357	1326
Mar	1320	1359	1345	1319
May	1326	1370	1351	1328
Jul	1351	1390	1370	1357
Sep	1375	1410	1392	1386
Dec	1413	1446	1435	1427

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Sep	126.60	126.88	128.00	124.60
Dec	125.77	126.32	127.95	124.50
Mar	124.16	125.92	127.00	123.75
May	124.25	125.73	126.50	123.00
Jul	125.50	125.33	125.75	123.00
Sep	122.36	124.13	0	0
Dec	121.79	123.50	125.00	125.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	10.26	10.42	10.54	10.25
Jan	8.75	9.09	0	0
Mar	9.99	10.15	10.27	9.98
May	9.71	9.92	9.95	9.70
Jul	9.58	9.80	9.80	9.70
Oct	9.52	9.63	9.60	9.50

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Oct	50.65	50.75	50.93	50.40
Dec	49.28	49.20	49.49	48.90
Mar	49.47	49.38	49.75	49.25
May	49.67	49.68	49.95	49.40
Jul	49.60	50.00	50.25	49.75
Oct	50.58	51.09	51.25	50.75
Dec	50.85	51.23	51.05	50.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Sep	190.80	191.80	193.00	190.70
Nov	181.30	181.50	182.60	181.30
Jan	171.25	172.00	173.25	171.20
Mar	168.50	169.65	170.20	168.50
May	167.00	169.45	169.50	168.90
Jul	166.65	167.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 24	Aug 23	mnth ago	yr ago
1815.0	1824.3	1952.0	1668.4

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.36	130.85	135.03	129.26
Futures	136.31	134.54	138.96	131.43

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Sep	835/4	831/4	842/0	826/0
Nov	847/0	845/0	854/0	837/0
Jan	852/0	849/4	858/0	841/4
Mar	850/4	848/4	857/4	842/4
May	839/4	834/4	845/0	831/0
Jul	830/2	825/0	831/0	820/0
Sep	741/0	736/0	749/0	740/0
Nov	706/4	708/0	708/0	700/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Sep	26.22	26.25	26.40	25.85
Oct	26.47	26.52	26.70	26.15
Dec	26.92	27.02	27.20	26.60
Jan	27.22	27.22	27.40	26.90
Mar	27.50	27.40	27.70	27.25
May	27.65	27.62	27.80	27.40
Jul	27.40	27.15	27.69	27.10
Aug	26.70	26.55	26.80	26.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Sep	262.5	263.5	265.3	261.0
Oct	259.5	260.7	262.5	258.0
Dec	258.7	259.2	261.5	257.0
Jan	256.5	256.0	259.5	254.0
Mar	254.0	251.6	255.0	250.0
May	249.5	247.0	250.0	245.0
Jul	245.0	242.2	246.0	241.5
Sep	222.0	222.0	222.0	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Sep	280/6	283/6	285/2	279/4
Dec	290/0	293/6	295/0	288/6
Mar	294/2	298/2	299/0	293/2
May	295/2	298/6	299/0	294/4
Jul	290/6	293/4	295/4	290/0
Sep	277/6	275/0	279/0	276/4
Dec	265/4	265/6	268/0	264/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Sep	393/0	390/6	396/0	390/4
Dec	406/0	404/4	410/0	404/4
Mar	408/4	406/0	412/0	406/0
May	384/4	380/4	387/0	381/0
Jul	357/4	353/4	360/0	355/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	72.10	71.30	72.65	71.27
Dec	73.10	72.65	73.82	72.25
Feb	73.95	73.97	74.82	73.67
Apr	75.30	75.32	75.75	75.05
Jun	74.30	74.32	74.75	74.10
Aug	71.90	71.85	72.40	71.80
Sep	71.20	71.20	0	0
Oct	71.50	71.00	71.50	71.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Oct	40.85	40.47	41.27	40.32
Dec	43.32	42.85	44.00	42.70
Feb	45.47	44.85	45.95	44.87
Apr	44.60	44.37	45.20	44.35
Jun	48.05	47.80	48.80	47.80
Jul	49.00	48.50	49.40	48.80
Aug	47.00	46.70	47.50	0
Oct	46.00	46.10	0	46.00

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	56.15	53.95	55.65	54.20
Mar	55.42	54.57	56.00	54.70
May	56.70	55.95	57.25	55.85
Jul	56.65	56.05	57.40	55.65

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — GERMANY (continued) — ITALY — NETHERLANDS — NETHERLANDS (continued) — NORWAY — SPAIN — SWEDEN — SWEDEN (continued) — SWITZERLAND — SOUTH AFRICA

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CANADA

TORONTO

2pm prices August 25

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 25

Continued from page 35

[illegible]

SEEQ	9	12	6¼	6⅛	6⅛ − ⅛		
Seibel	.80	8	45	13	13	13	
Selctins	1.24	5	15	24½	24½	24½	
Sensor	.10		254	9⅞	9	9 − ⅛	
Sequent		39	51	17½	17¼	17½	
SvcMer	.08	10	1880	11¼	10⅞	10⅞ − ⅛	
SvOak	.08j		1106	9⅝	9½	9⅝ + ⅛	
ShrMed	.80	10	1061	16¼	15⅞	16¼ + ⅛	
ShawNt	1.28		568	26¾	26¼	26½	
Shoney	b	5	2650	7⅛	6⅞	6⅞ − ⅛	

JAPAN — AUSTRALIA (continued) — HONG KONG — AUSTRALIA — SINGAPORE

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NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK — DOW JONES

	Aug 24	Aug 23	Aug 22	Aug 19	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2026.67	1989.33	1990.22	2016.00	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.04	88.05	88.26	88.10	91.25 (3/3)	86.12 (4/1)	–	–
Transport	845.58	831.54	833.78	844.83	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.88	176.62	176.86	177.34	190.02 (29/1)	167.26 (20/6)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2028.98 (2008.36) Low 1990.04 (1978.66)

STANDARD AND POOR'S	Aug 24	Aug 23	Aug 22	Aug 19	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	261.13	257.09	256.98	260.24	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	299.51	294.59	294.52	298.44	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.99	24.73	24.67	25.08	25.54 (3/8)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	147.93	145.94	145.94	147.54	156.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	294.06	292.00	293.01	295.03	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.03	373.53	373.73	377.42	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Aug 19	Aug 12	Aug 5	year ago (approx.)
Dow Industrial Div. Yield	3.79	3.73	3.51	2.54
	Aug 17	Aug 10	Aug 3	year ago (approx.)
S & P Industrial div yield	3.29	3.26	3.11	2.40
S & P P/E ratio	13.57	13.65	14.25	23.20

TRADING ACTIVITY

† Volume Millions	Aug 24	Aug 23	Aug 22
New York	128.085	120.293	123.795
Amex	7.720	8.820	6.500
OTC	110.073	118.311	97.682

NEW YORK	Aug 24	Aug 23	Aug 22
Issues Traded	1,941	1,921	1,934
Rises	1,082	556	356
Falls	357	793	1,105
Unchanged	502	572	473
New Highs	12	6	8
New Lows	16	22	25

CANADA

TORONTO	Aug 24	Aug 23	Aug 22	Aug 19	1988 High	1988 Low
Metals & Minerals	2959.3	2826.8	2831.9	2855.4	3226.5 (5/7)	2238.7 (8/2)
Composite	3279.2	3242.0	3251.4	3279.2	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1632.87	1608.38	1613.65	1620.46	1723.71 (5/7)	1305.06 (27/1)

	Aug 25	Aug 24	Aug 23	Aug 22	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1636.2	1632.4	1629.5	1643.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	814.1	814.4	820.3	829.6	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	197.5	197.0	196.30	198.60	199.70 (17/8)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	4890.70	4880.10	4879.20	4900.10	5043.1 (9/5)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	221.10	221.85	222.24	222.61	227.86 (3/8)	180.68 (4/1)
FINLAND Unitas General (1975)	740.0	739.8	750.6	758.6	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	353.8	352.6	351.6	(u)	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	131.5	132.9	131.9	133.1	137.6 (7/7)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	482.10	480.93	477.12	482.47	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1467.1	1462.3	1442.1	1467.8	1510.4 (8/8)	1207.9 (29/1)
DAX (30/12/87)	1162.65	1161.27	1155.80	1167.99	1199.96 (5/7)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2520.86	2520.29	2532.13	2564.14	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	529.02	531.89	536.57	536.80	545.07 (18/3)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	27870.44	27799.67	27919.95	28079.18	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2175.49	2171.31	2183.54	2197.37	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	265.4	267.0	266.6	273.3	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	225.9	227.0	228.2	233.2	239.3 (9/8)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	376.02	379.58	383.90	393.07	423.64 (21/7)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1070.85	1065.03	1067.02	1075.73	1137.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1261.0	1269.0	1250.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	(u)	1633.0	1634.0	1625.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	289.36	289.38	290.81	291.97	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	2949.1	2970.4	2959.9	(u)	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	554.4	554.6	553.8	557.4	559.0 (9/8)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	437.6	437.5	438.6	465.2 (15/6)	401.0 (21/1)

**Saturday August 13: Japan Nikkei (c) and TSE (c)

♦ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Wickes	1,757,800	13	− ⅛
IBM	1,318,200	112⅞	+ 1⅞
Texas Utilities	1,238,400	28¾	+ ⅛
Blackstone	1,145,200	10	
Phillips Pet	1,138,200	16⅝	+ ⅛
Ford Motor	1,132,200	49	+ 1⅛
Centerior Energy	1,099,900	13⅛	− ⅞
Am Express	1,068,900	28¼	+ ⅛
Gen Electric	1,064,300	40	+ ⅞
Navistar	1,031,500	5¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 25 August 1988

	Stocks Traded	Closing Prices	Change on day
Keio Teito Railway	35.09m	1,290	+150
Tokyu Corp	21.49m	1,700	+90
Nippon Steel	14.49m	718	+10
Sumitomo Heavy	12.76m	870	-7
Kawasaki Steel	12.57m	745	+18
Mitsui Mining	10.06m	625	-20
Nippon Express	9.90m	1,460	+30
Tobu Rail	9.89m	1,160	+40
Japan Steel Wks	9.85m	676	-4
NKK	9.48m	685	+17

3pm prices August 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
27⅞	14	AAR s	.36	1.5	18	226	25	24½	24¾	- ⅛
10	10	ACM n				533	10	10	10	
12⅛	8½	ACMIn n1.40a		13.		387	11⅛	11	11	
12⅛	10⅝	ACMSc n1.26		11.		383	11	10⅞	11	
10⅛	8⅞	ACMSp n.17a		1.8		237	9¼	9⅛	9¼	+ ⅛
27⅞	10½	AGS			20	281	27⅞	27⅝	27¾	- ⅛
7¾	2⅝	AMCA				108	3⅞	3⅞	3⅞	
6¾	3¼	AM Intl				379	5½	5¼	5⅛	- ¼
29⅛	17	AM Int pf 2		9.3		21	21¾	21½	21½	- ½
64½	26¾	AMR			9	871	43	42½	42¾	- ½
24⅞	19	ANR pf 2.12		9.2		2	23⅛	23⅛	23⅛	
11⅛	5¾	ARX			11	13	7¼	7¼	7¼	- ¼
70½	35¼	ASA	3	8.2		358	37¼	36½	36¾	- ½
22⅞	9½	AVX	.05e	.3	11	170	18½	18⅛	18⅛	- ¼
65⅝	40	AbtLab	1.20	2.6	15	2449	45⅝	45⅛	45½	- ½
27¼	15⅞	Abitibi g	1			17	16⅞	16¾	16⅞	
16½	8½	AcmeC	.40	4.2		108	9¾	9½	9½	- ⅛
20	14⅛	AdaEx	3.05e	20.		59	15½	15⅜	15⅜	
19¾	8⅞	AdamMl	.24	1.5	16	1	16⅞	16⅞	16⅞	
24⅞	7½	AMD				2031	11⅝	11⅜	11½	- ⅜
56¾	29¾	AMD pf	3	8.5		38	35¼	35	35¼	
10⅞	4⅞	Adobe				577	7¾	7⅝	7⅝	
20	16¼	Adob pf	1.84	10.		62	17⅝	17⅝	17⅝	
12¾	5⅞	Advest	.12	1.4	16	x110	8⅝	8½	8⅝	+ ⅛
64¼	39½	AetnLf	2.76	5.8	7	1257	47½	47	47¼	- ⅝
38⅛	20½	AirPb s	.20	.8		608	25	24¾	24⅞	- ⅛
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3pm prices August 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 25

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 33

FINANCIAL TIMES

Friday August 26 1988

AMERICA

European bank moves knock Dow

Wall Street

ON THE DAY that marks the first anniversary of the Dow Jones Industrial Average hitting an all-time high of 2,722.42, both equities and bonds fell sharply on Wall Street in thin early trading, *writes Martin Stanbridge in New York.*

By 2 pm the Dow had fallen 26.31 points to 2,000.36 on slim volume of 86m shares, with declining issues exceeding advancing ones by 10 to three.

At the beginning of the afternoon, the Treasury's benchmark long bond was down ⅜ at 96⅜ to yield 9.464 per cent. Fed funds were quoted at 8⅛ and Treasury three-month bills were yielding 7.479 per cent.

The day started badly with news that European central banks had raised interest rates to curb the rise in the dollar, with the Bundesbank discount rate up ½ point and the Bank of England base lending rate up a full point. The rate increases led to a steep fall in the dollar when the foreign exchange markets opened, and the currency continued to drift downwards through the morning, adding to the selling pressure on bonds and equities.

Prices were hit further by sharply higher-than-expected revisions to US gross national product figures. The Commerce Department's key GNP-based implicit price deflator measure of inflation rose at a revised 5.1 per cent annual rate in the second quarter compared with the 4.1 per cent estimated last month.

The department said this was the largest gain since the 5.8 per cent rise in the third quarter of 1982.

In the equities market, prices tried to rebound after initial lows as some investors sought to take advantage of depressed prices and hoped that the previous day's upward trend would continue. However, shares quickly continued on their downward path.

Most investors sat on the sidelines again, fearing that the weakness in the bond markets would be a drag on stocks. The volume of equities trading would have been even thinner without dividend-related deals in Northeast Utilities, the Massachusetts utilities holding company, amounting to 12m shares.

There was a general weakness among blue chip issues. International Business Machines was off $1⅛ at $111, Merck, the leading ethical drugs and chemicals concern, fell $⅞ to $55 and American Express, the banking group, also fell $⅝ to $28⅛. Aluminum Company of America was down $⅝ at $49⅝ and Chevron, the leading oil group, lost $¾ to $44.

Computer stocks, which had rebounded strongly during the previous day's rally, fell back. Digital Equipment was down $1⅛ at $93⅝, Unisys lost $⅞ to $31⅝, Cray Research dipped $1¼ to $78⅛ and Compaq Computer dropped $⅞ to $53½.

Against the trend, truck trailer and container group Fruehauf class B shares jumped $1 to $4½ on news that the company had begun discussions with several parties about the possible sale of its Kelsey-Hayes automotive products offshoot.

Other blue chips to fall were General Electric, the largest US manufacturer of electrical, engineering and mining equipment, which was down $¼ at $39⅝, and USX, the leading steel company, off $⅞ at $27¼.

In over-the-counter trading, shares in Informix, the computer database and software concern, fell $1½ to $8¾ after Hambrecht & Quist, the California investment dealer, lowered its estimates of the company's earnings for the fiscal third and fourth quarters and the full year, as well as for fiscal 1989, because of higher-than-expected expenses.

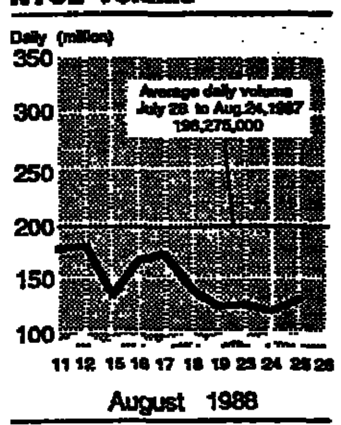
Canada

METALS and golds led a decline in Toronto share prices in moderate midday trading.

Alcan Aluminium was active, falling C$1¼ to C$36⅞. Among other metals, Inco fell C$1⅛ to C$36⅞, Falconbridge lost C$¼ to C$22⅛. Noranda dropped C$⅛ to C$23 and Cominco declined C$⅝ to C$18⅝. Among golds, American Barrick lost C$¼ to C$21⅞, and Lac Minerals declined C$¼ to C$13⅛.

Industrials also fell back. Stelco lost C$⅛ to C$22⅞, Dofasco declined C$⅛ to C$28¼ and Imasco moved down C$⅛ to C$24⅝.

NYSE Volume



ASIA PACIFIC

Speculative trading pushes Nikkei higher

Tokyo

THE OVERNIGHT recovery on Wall Street gave some encouragement to equities in Tokyo yesterday but trading remained highly speculative and volume failed to pick up to a significant level, *writes Michiyo Nakamoto in Tokyo.*

Responding positively to New York's upturn, the Nikkei average opened 124.72 points higher but then fluctuated during the day to end up 70.77 at 27,870.44. It moved between a high of 27,937.93 and a low of 27,744.85.

Volume was strikingly thin at 436m shares compared with 619m on Wednesday. Declines outnumbered advances by 445 to 381 and 205 issues were unchanged.

Japanese shares later fell sharply in London trading, with the ISE/Nikkei 50 index dropping 22.77 to 1,807.87 from the Tokyo close.

Analysts in Japan said New York's recovery on thin volume was not convincing enough to sustain a rally in Tokyo. With no news from abroad sufficiently strong to indicate direction, investors appeared to be looking for incentives to get back into the market. As has been the pattern recently, this came mainly in the form of strong property assets.

Railways in particular have gained in the last few weeks due to their property holdings and to speculation that redevelopment of land near stations will further raise the value of their property assets.

Among railways, Keio Teito Railways, the volume leader at 35.1m shares, rose to a new closing high of Y1,290, up Y150. There has been talk of redevelopment of its headquarters site in central Tokyo. Keio also drew interest from plans by a major entertainment group to build leisure facilities in a suburb of Tokyo where Keio owns considerable property.

Tokyu Railways, the second most heavily traded issue at 21.5m shares, advanced Y90 to Y1,700. Tokyu's popularity stems in large part from its involvement in resort developments. There is also speculation that its station-department store complex in Shibuya, a central part of Tokyo, could be up for redevelopment. Tokyu's strength helped an affiliate, Tokyu Hotel Chain, which increased Y110 to Y1,850.

Mitsui Real Estate rose Y140 to Y2,450. The company has attracted buying interest lately on speculation that Oriental Land, in which it is a major shareholder, will go public.

A newspaper report that Terumo, a leading maker of medical instruments, had developed a medicine for cirrhosis, led the issue to rise Y180 to Y1,870.

Buying interest recovered somewhat in large capital steels. Nippon Steel was the third most heavily traded issue with 14.5m shares exchanged. It advanced Y10 to Y718.

The bond market was mixed as trading fluctuated for lack of incentives. Investors remained hesitant about interest rates. The yield on the benchmark 105th government bond closed at 5.200 per cent in large-lot trading, up 0.005 from Wednesday.

The equities market in Osaka remained sluggish and the OSE average dropped 41.71 to 26,854.18. Nippon Express was the most heavily traded issue, at 2.14m shares, losing Y50 to Y1,430 on profit-taking.

Roundup

MAJOR exchanges in Asia Pacific managed small gains in subdued trading but Manila continued its slide as political worries shook the market.

AUSTRALIA slipped from its day's highs as profit-taking in the mining sector ate into early gains, but most stocks still closed firmer.

Trading generally lacked enthusiasm but blue chip industrials continued to attract interest in moderate turnover.

The All Ordinaries index gained 3.8 to 1,636.2 on turnover of 107m shares worth A$202m, compared with the previous day's 104m worth A$182m.

In the industrial sector, Lend Lease added 55 cents to A$14.55. It reported a 20 per cent increase in net profit for the year to June 30. News Corporation added 10 cents to A$10.70 before announcing a 27 per cent increase in annual profits of A$464.46m.

Market leader BHP rose 4 cents to A$8.34 and Bond Corporation gained 3 cents to A$2.18.

Elders IXL, which had risen on Wednesday following a cut in beer excise, dropped 3 cents to A$3.42.

Transport company Brambles, which reports profits next week, rose 25 cents to A$10.85 on rumours that the figures would be very good and that it would make a bonus issue.

HONG KONG moved a little higher in dull trading, with the Hang Seng index gaining 0.57 to 2,520.86. Concerns over rising interest rates abroad continued to restrain trading and volume was low.

Hutchison dropped 20 cents to HK$8.35. On Wednesday, it had reported a lower-than-expected rise in interim net profits of 7 per cent.

MANILA fell for the fourth day in a row, with the composite index dropping 20.45 to 741.81. It has lost more than 78 points, or 9.5 per cent, so far this week.

SINGAPORE attracted bargain hunting from local investors and closed slightly higher across the board.

The Straits Times industrial index rose 5.82 to 1,070.85 after losing 112 points over the previous 11 sessions. A total of 25.5m shares were traded, down from 33m.

EUROPE

Paris and Amsterdam hit by rise in interest rates

THE ROUND of interest rate rises in Europe shook markets that were still open and corporate activity injected further interest as volumes improved slightly, *writes Our Markets Staff.*

PARIS fell sharply in early trading when the Bank of France raised its two key short-term interest rates by ¼ point before any move by the Bundesbank. The action took the market by surprise, especially after recent statements from Mr Pierre Bérégovoy, the Finance Minister, that France would not lift rates. "It was not terribly good news for market sentiment," one analyst said.

After the initial shock, however, prices recovered from their lows, encouraged by London and Wall Street recouping some ground. The OMF 50 index ended 3.91 lower at 346.60, after hitting a low of 343.65. The CAC General index, based on opening prices, was up 1.2 at 353.8.

Volume was said to be better than Wednesday's FFr1.15bn as the September account gets into its stride. Foreign interest remains patchy, though.

Against the trend, Havas, the communications group, gained FFr14 to FFr695 on reports that Canal Plus, the pay television channel, was taking a 5 per cent stake. Havas is one of the privatised stocks, which generally held up well yesterday on continued expectations of a reshuffle in their share ownership structure. Canal Plus, on its second day of quotation on the main market, fell FFr20 to FFr559.

Drinks group Pernod found FFr9 to FFr1,114. This was attributed by one broker to speculation it will eventually face merger or takeover itself rather than to the possibility it will side with Irish Distillers against GrandMet.

AMSTERDAM was knocked by the ½ point rise in the West German discount rate and the declining London stock market. Until then, prices had been mostly higher following the strong overnight performance by Wall Street, offsetting dollar worries.

The Dutch central bank followed the Bundesbank with a ½ point increase in its three key interest rates. The all-share index dropped 1.8 to 93.4 on moderate volume.

The main corporate news was a better-than-expected 39 per cent rise in first half profits at Bührmann-Tetterode, the paper group.

The share closed Fl 2.20 lower at Fl 50.80 and one analyst described the results as encouraging but said the company's full year forecast of only 20 per cent profits had been received with disappointment. Another analyst attributed the stock's fall to the interest rate rises.

Interest rate and dollar uncertainty cancelled out the effect of some other companies' good results.

Hoogovens, the steelmaker, opened 6.8 per cent higher at Fl 62.50 following its announcement on Wednesday that it had returned to the black. However, the stock later slipped to Fl 59, a net gain of 50 cents.

In the insurance sector, Nationale-Nederlanden and Amev both eased following their reports of higher first half results the previous day. Nat-Ned was off 90 cents at Fl 61.60 and Amev Fl 1.80 at Fl 49.

FRANKFURT held steady in thin volume, awaiting the Bundesbank meeting. Prices were marked up in early trading on Wall Street's overnight strength and speculation that any Bundesbank action would be positively received.

When the central bank announced the discount rate rise after the close, there was disagreement about whether it was already reflected in prices, and some professionals took up short positions, sending prices slightly lower.

Institutional activity was limited, share movements were small and volume was low at DM1.8bn worth of German shares, though an improvement on Wednesday's DM1.4bn. The FAZ index showed a midsession rise of 1.17 to 482.10 and the DAX real time index closed just 1.38 higher at 1,162.65.

The bond market was also little changed and the yield on the latest 1998 federal bond was steady at 6.81 per cent.

ZURICH suffered from a lack of activity as prices ended almost unchanged. Shares opened higher following the rebound on Wall Street, but fell back as the dollar weakened. The Crédit Suisse index closed at 475.9, up 0.8, on modest volume.

Interest rate worries and falling London equities contributed to investors' unease. The Swiss National Bank later raised its discount rate and Lombard rate.

MILAN eased in lacklustre trading, with investors worried by the rate rises around Europe and cautious about today's cabinet meeting, which is expected to announce tax changes. The Comit index lost 2.87 to 529.02. Volume was estimated to be a little lower than on Wednesday, with a large chunk again accounted for by Generali, down L850 at L91,950 on profit-taking.

BRUSSELS was encouraged by Wall Street's gains the previous day and closed higher in active trade. Demand for utilities was again strong.

STOCKHOLM closed lower on rising international interest rates. Trading was hectic at SKr294m shares.

Electrolux free B-shares fell SKr3 to SKr237, the day after the world's leading white goods manufacturer reported a 20 per cent rise in first-half profits. Ericsson, which announced a 55 per cent jump in profits, saw its free B-shares fall SKr5 to SKr258. Volvo restricted B-shares fell SKr4 to SKr311 while Gambro free B-shares rose SKr1 to SKr120.

OSLO closed broadly lower with the all-share index down 3.84 points at 274.12 in moderate trading.

The oil index dropped 8.85 to 251.24 amid debate about whether the Government should sell part of its stake in Norway's North Sea fields. Saga Petroleum lost NKr3 to NKr70.

London

A MAJOR sell-off in London followed news of a much higher-than expected July balance of payments deficit and a 1 point rise in base rates. The FT-SE 100 index closed 39 lower at 1,780.2.

Most international stocks, including ICI, Glaxo and Hanson, fell sharply.

SOUTH AFRICA

GOLD shares closed firmer in Johannesburg as the bullion price gained ground on a sharply lower dollar. Beatrix gained 25 cents to R12.50 and Vaal Reefs rose R5.50 to R264.50.

Signs of an overseas revival in London

Andrew Freeman on changes in the international equity market since the crash

Trading of foreign stocks in London seems to be getting over the effects of the October crash, according to figures from the International Stock Exchange (ISE).

Average daily turnover of international equities in London has been £329m ($552m) so far this year, according to the latest Quality of Markets report from the ISE. This represents an 8 per cent decline over the same period in 1987. However, the daily figure for the second quarter to June 1988 is £348m, suggesting trading may have been picking up.

ISE figures also suggest that the market for non-UK equities has become more liquid. Unlike the domestic market, the average size of international transactions recovered to pre-crash levels in the first half of 1988, after falling by as much as 30 per cent in the weeks after the October crash. ISE officials believe this reflects a willingness on the part of marketmakers to deal in larger size, rather than a rise in private client activity.

Most private client transactions are either in US and Canadian stocks or in the category "other countries", which includes Australia and South Africa, the report says. Turnover in these areas has changed little over the year.

Dealers in international equities in London take a different view from the ISE, tending to paint a slightly gloomier picture of overall volumes. This is because the ISE numbers are based on business done by all member firms, including agency brokers. Thus, business done by a UK agency broker such as James Capel – which could go through a foreign market rather than London – is combined with market-making business carried out by London dealers in foreign equities.

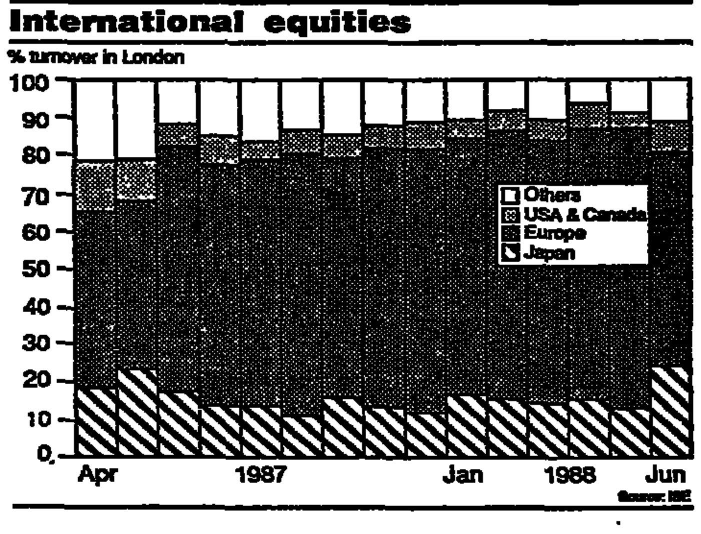
Leading dealers estimate that from a purely dealing perspective, turnover in international equities is well down on last year. They also suggest that, with the exception of West German shares, the average bargain size has fallen or stayed the same. West Germany is the exception largely because many institutional funds which had been underweight there last year have been increasing their exposure in 1988, thus improving turnover and bargain size.

Dealers point out that institutions alone are now supporting the development of international equity trading. Private client business has essentially been priced out of existence by prohibitive settlement costs.

The dealers' evidence on turnover is internal and they are unwilling to release information which might help competitors guess market shares.

Where European equities are concerned, however, they seem to agree that London's business is of sufficient size to intimidate local markets, where liquidity was particularly badly affected by the crash. One dealer comments: "Where marketability is still questionable at the local level, institutional orders are tending to come to London."

International equities



FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 24 1988					TUESDAY AUGUST 23 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (87)	151.30	+0.0	133.64	123.52	3.64	151.28	133.54	123.46	152.28	91.16	159.65
Austria (16)	85.33	+0.6	75.37	83.84	2.48	84.82	74.87	83.74	98.18	83.72	96.26
Belgium (63)	110.17	+0.4	97.31	109.50	4.61	109.73	96.87	109.46	139.89	99.14	132.55
Canada (128)	118.56	+1.0	104.73	105.73	3.21	117.37	103.61	104.54	128.91	107.06	138.40
Denmark (39)	121.62	+0.2	107.42	120.30	2.45	121.34	107.11	120.51	132.72	111.42	124.21
Finland (26)	121.53	−1.8	107.35	114.04	1.51	123.78	109.27	116.48	139.53	106.78	–
France (129)	90.27	+1.7	79.74	90.98	3.57	88.76	78.35	90.05	99.62	72.77	112.57
West Germany (100)	73.15	+1.5	64.61	71.95	2.57	72.08	63.63	71.44	80.79	67.78	103.56
Hong Kong (46)	102.66	−0.3	90.68	102.85	4.43	102.94	90.87	103.14	111.86	84.90	142.11
Ireland (18)	131.09	−0.1	115.79	130.54	3.65	131.20	115.82	131.30	144.25	104.60	141.39
Italy (102)	71.53	−0.4	63.18	74.95	2.69	71.79	63.37	75.70	81.74	62.99	84.87
Japan (456)	161.05	−1.0	142.25	136.72	0.53	162.60	143.54	137.62	177.27	133.61	151.51
Malaysia (36)	140.07	−0.4	123.72	143.50	2.58	140.60	124.12	144.15	154.17	107.83	185.41
Mexico (13)	149.41	−0.2	131.97	373.52	1.46	149.66	132.11	373.32	180.07	90.07	338.02
Netherland (38)	101.15	+1.0	89.34	98.63	4.65	100.13	88.39	98.35	110.66	95.23	130.85
New Zealand (20)	76.91	+0.1	67.94	64.00	5.76	76.82	67.81	63.98	84.05	64.42	123.15
Norway (25)	110.97	−1.5	98.02	104.57	2.88	112.63	99.43	106.40	132.23	98.55	162.82
Singapore (26)	122.34	−0.2	108.06	114.93	2.30	122.59	108.21	115.24	135.89	97.99	173.80
South Africa (60)	114.35	−0.9	101.00	87.70	4.90	115.41	101.88	87.75	139.07	109.87	175.68
Spain (43)	143.27	+0.0	126.55	135.13	3.34	143.34	126.53	135.57	164.47	130.73	149.57
Sweden (35)	112.33	+0.8	99.22	108.17	2.64	111.42	98.36	107.55	125.50	96.92	127.34
Switzerland (55)	75.10	+0.4	66.34	74.27	2.30	74.82	66.05	74.47	86.75	74.82	108.11
United Kingdom (324)	127.83	+0.1	112.91	112.91	4.49	127.74	112.76	112.76	141.18	123.09	148.66
USA (580)	106.63	+1.4	94.18	106.63	3.73	105.12	92.79	105.12	112.47	99.19	136.62
Europe (1013)	102.15	+0.5	90.22	96.07	3.78	101.66	89.75	95.90	110.82	97.01	124.81
Pacific Basin (671)	158.33	−0.9	139.85	134.79	0.73	159.77	141.04	135.64	172.26	130.81	151.48
Euro-Pacific (1684)	135.87	−0.5	120.01	119.35	1.66	136.53	120.52	119.81	147.53	120.36	140.89
North America (708)	107.26	+1.4	94.74	106.59	3.70	105.77	93.37	105.10	113.29	99.78	136.72
Europe Ex. UK (689)	86.20	+0.8	76.14	85.61	3.17	85.49	75.46	85.43	92.99	80.27	110.02
Pacific Ex. Japan (215)	125.59	−0.1	110.94	110.65	3.89	125.70	110.96	110.73	128.27	87.51	151.21
World Ex. US (1885)	135.07	−0.4	119.30	118.69	1.74	135.67	119.76	119.09	146.49	120.26	141.31
World Ex. UK (2141)	123.69	+0.2	109.25	114.66	2.17	123.48	109.01	114.38	131.77	111.77	138.56
World Ex. So. Af. (2405)	124.10	+0.2	109.61	114.66	2.36	123.90	109.37	114.39	132.39	113.26	139.21
World Ex. Japan (2009)	106.30	+1.0	93.89	103.14	3.75	105.26	92.92	102.22	112.43	100.00	133.69
The World Index (2465)	124.04	+0.2	109.56	114.48	2.38	123.85	109.33	114.22	132.38	113.37	139.45

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).